SAN FRANCISCO PUBLIC LIBRARY
3 1223 06447 3169

S / S

San Francisco Public Library

Government Information Center
San Francisco Public Library
100 Larkin Street, 5th Floor
San Francisco, CA 94102

REFERENCE BOOK

Not to be taken from the Library

Digitized by the Internet Archive
in 2013

http://archive.org/details/minutes200304sanf

Main Library
Government Documents Section

San Francisco Local Agency Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT.

JAN 22 2003

SAN FRANCISCO
PUBLIC LIBRARY

AGENDA

Note: Each item on the Consent or Regular agenda may include explanatory documents, including Executive Officer report and public correspondence. These items will be available for review at City Hall, Room 244, Reception Desk.

Special Meeting
Friday, January 31, 2003 at 10:00 a.m.
City Hall, Room 263

Chair: Commissioner Gonzalez; Vice-Chair: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate Members: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call.

2. Approval of Minutes for the Commission Meeting of December 20, 2002 (Discussion and Action Item).

3. Discussion on Information regarding Long Island Power Authority's Data Assumptions. (Continued from the November 8, 2002 meeting.)

4. Discussion and Action regarding Request from Commissioner Gonzalez to Discuss and Act on Meeting Twice a Month. (Continued from the December 20, 2002 meeting.)

5. Discussion and Action regarding SFLAFCo Scope of Work for Analysis of Chapter 838 (AB 117-Migden) – the California Community Choice of Energy Law and an Amendment to the Agreement with R. W. Beck to Analyze the Feasibility of Becoming a Community Aggregator and Develop a Plan Required for the City to Exercise its Options to Become a Community Aggregator.

6. Discussion and Action regarding SFLAFCo Scope of Work for Providing an Electric Financial Feasibility Study to Supplement the Energy Services Study and an Amendment to the Agreement with R. W. Beck to Perform the Services.

7. Discussion and Action regarding a Determination that in the City and County of San Francisco there are no existing governmental entities with a Sphere of Influence (SOI) and therefore the deadlines regarding SOI/Municipal Service Review updates are not applicable.

8. Future Agenda Items.

9. Public Comment on Items not on the Agenda.

10. Adjournment.

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to LAFCo, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of LAFCo members. Any written comments should be sent to: Committee Clerk of LAFCo, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the Committee Clerk by that time may be taken directly to the hearing at the location above.

DISABILITY ACCESS

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142.

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

3 1223 06447 3169

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Clerk of the Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7724, by fax at (415) 554-5784 or by email at Donna_Hall@ci.sf.ca.us.

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.ci.sf.ca.us/bdsupvrs/sunshine.htm.

San Francisco
Local Agency
Formation Commission

Main Library
Government Documents Section

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT.
JAN 22 2003
SAN FRANCISCO
PUBLIC LIBRARY

AMENDED AGENDA

Note: Each item on the Consent or Regular agenda may include explanatory documents, including Executive Officer report and public correspondence. These items will be available for review at City Hall, Room 244, Reception Desk.

Special Meeting
Friday, January 31, 2003 at 10:00 a.m.
City Hall, Room 263

Chair: Commissioner Gonzalez; Vice-Chair: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate Members: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call.

2. Approval of Minutes for the Commission Meeting of December 20, 2002 (Discussion and Action Item).

3. Discussion on Information regarding Long Island Power Authority's Data Assumptions. (Continued from the November 8, 2002 meeting.)

4. Discussion and Action regarding Request from Commissioner Gonzalez to Discuss and Act on Meeting Twice a Month. (Continued from the December 20, 2002 meeting.)

5. Discussion and Action regarding SFLAFCo Scope of Work for Analysis of Chapter 838 (AB 117-Migden) – the California Community Choice of Energy Law and an Amendment to the Agreement with R. W. Beck to Analyze the Feasibility of Becoming a Community Aggregator and Develop a Plan Required for the City to Exercise its Options to Become a Community Aggregator.

6. Discussion and Action regarding SFLAFCo Scope of Work for Providing an Electric Financial Feasibility Study to Supplement the Energy Services Study and an Amendment to the Agreement with R. W. Beck to Perform the Services.

7. Resolution Finding Deadlines for Sphere of Influence (SOI) Municipal Service Review Updates are not Applicable and Finding Authority for Service Reviews Under the Future Work Plan (Discussion and Action Item).

8. Future Agenda Items.

9. Public Comment on Items not on the Agenda.

10. Adjournment.

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to LAFCo, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of LAFCo members. Any written comments should be sent to: Committee Clerk of LAFCo, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the Committee Clerk by that time may be taken directly to the hearing at the location above.

DISABILITY ACCESS

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142.

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Clerk of the Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7724, by fax at (415) 554-5784 or by email at Donna_Hall@ci.sf.ca.us.

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.ci.sf.ca.us/bdsupvrs/sunshine.htm.

San Francisco
Local Agency
Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT.

MAR - 4 2003

SAN FRANCISCO
PUBLIC LIBRARY

MINUTES

Special Meeting
Friday, January 31, 2003, 10:00 a.m.
City Hall, Room 263

Chairperson: Commissioner Gonzalez; Vice Chairperson: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call

   The meeting was called to order by Chairperson Commissioner Gonzalez at 10:09 a.m.

   Members Present: Vice-Chairperson Commissioner McGoldrick, Commissioners Hall, Schmeltzer, and Fellman.

   Member Absent: Commissioner Ammiano

   Gloria L. Young, Executive Officer and Nancy Miller, Esquire were noted as present.

2. Approval of Minutes for the Commission Meeting of December 20, 2002 (Discussion and Action Item).

   Vice-Chairperson Commissioner McGoldrick moved to approve the December 20, 2002 meeting minutes; Commissioner Schmeltzer seconded. No public comment. The December 20, 2002 meeting minutes were unanimously approved with no objection.

3. Discussion on Information regarding Long Island Power Authority's Data Assumptions (Discussion and Action Item) (Continued from the November 8, 2002 meeting).

   Chairperson Commissioner Gonzalez thanked the Executive Officer for putting the information together and requested a longer discussion at a future meeting.

   No public comment.

   Gloria L. Young, Executive Officer stated that staff was asked by Chairperson Gonzalez to research information about the Long Island Power Authority (LIPA) and whether they were successful in lowering their electric bills when converting to public power. Most of the information is from Dr. Irwin Kellner's articles from Hofstra University and discusses LIPA's accomplishments by introducing retail competition in New York.

   Commissioner Schmeltzer asked that staff obtain information about the move from Long Island Lighting Company to the Long Island Power Authority and how the transition and acquisition happened.

   Ms. Young stated that she believes it is public information and staff could contact our previous contacts and request additional information.

4. Discussion and Action regarding Request from Commissioner Gonzalez to Discuss and Act on Meeting Twice a Month. (Continued from the December 20, 2002 meeting.)

   Chairperson Commissioner Gonzalez stated that the LAFCo should discuss how often they should meet and set up a regular schedule that can be counted on. It would then be easier to cancel meetings that are anticipated in the schedule rather than struggling to find out what can be accommodated in everybody's schedule.

   Commissioner Hall stated how often the LAFCo meets depends on what issues the LAFCo is studying. He agrees if the intent is to set up a regular schedule for the convenience of scheduling. He would be interested in knowing what the LAFCo will be looking at in the coming months and year before getting locked into the schedule.

   Chairperson Commissioner Gonzalez stated that we can perceive this agency as a place to tackle questions of government efficiency and other issues related to the original R. W. Beck study that was completed. Many of the issues that LAFCo has discussed here such as tidal energy, desalinization, or whatever other concerns members have would be addressed. One thing about this forum that was effective was the public hearings where guests were invited to speak about energy issues. Those hearings were not costly, and LAFCo could make forays into different areas. What is costly is a commitment to do a particular kind of study such as the AB117 Study or Financial Feasibility Study.

Commissioner Fellman stated that it is an excellent suggestion to have that be used as a forum for other issues while we are going ahead with the energy side of LAFCo's concerns.

Public Comment.

No public comment. Public comment closed.

Chairperson Commissioner Gonzalez stated that Commissioner Ammiano was not present and would want to have input as to what the schedule is. Ms. Young was asked to discuss the frequency and schedule of LAFCo meetings.

Ms. Young stated in general the frequency of LAFCo meetings has been once a month on Fridays. Staff schedules the meeting and then at the meeting that we are at, we schedule the next meeting. Over the last year there has been a month or two months that we have not had meetings because we were in the process of either having work done by consultants, and there was no need to meet.

Chairperson Commissioner Gonzalez asked if there would be any difficulty canceling meetings if we were to set up a meeting twice a month.

Ms. Young stated that as long as staff knows in advance, we could cancel the meeting. It is a 72-hour notice to cancel.

Chairperson Commissioner Gonzalez asked the Executive Officer to prepare a schedule and bring it to the next meeting taking into account the Board of Supervisors' recesses and any concerns Commissioner Schmeltzer has about her schedule as it relates to her private employment.

Ms. Young stated that staff would work with the individual Commissioners as well as take into account any changes that may or may not occur with the Board Committee schedules.

5. Discussion and Action regarding SFLAFCo Scope of Work for Analysis of Chapter 838 (AB 117-Migden) – the California Community Choice of Energy Law and an Amendment to the Agreement with R. W. Beck to Analyze the Feasibility of Becoming a Community Aggregator and Develop a Plan Required for the City to Exercise its Options to Become a Community Aggregator.

6. Discussion and Action regarding SFLAFCo Scope of Work for Providing an Electric Financial Feasibility Study to Supplement the Energy Services Study and an Amendment to the Agreement with R. W. Beck to Perform the Services.

The above two items were heard together.

Ms. Young stated that the Commission at the December 20th meeting directed the Executive Officer to work with various staff and with our existing consultant, R. W. Beck to develop scopes of work for the feasibility of acquisition and for the City to exercise its option of becoming a community aggregator (AB117). The meeting packet includes memos about both of these items, the draft Scope of Work, and a draft contract related to each one of the items.

SFLAFCo's total budget of available funds for consultant work is currently approximately $200,000. The AB117 study would cost $72,000, and the Electric Financial Feasibility Study would cost $200,000. The question then became if the Commission contracted for one of the studies, then they could not do the other. There is a possibility that the projects could be phased so you could complete the AB117 study and could be phased so that when the budget is approved for the next fiscal year, we could pick up those additional costs.

Mr. Smeloff is here to speak about the specifics of the studies. As part of the December 20th meeting, the Executive Officer was directed to prepare the scope and work with the Department of Environment and the SFPUC to develop the proposals. At the December 20th meeting, Mr. Smeloff mentioned that he has been in discussion with other cities that may be interested in participating in the AB117 study. The Commission during their discussion may ask for comments from both Mr. Bell and Mr. Blumenfeld as to whether or not there is an opportunity for sharing the costs associated with AB117. Originally, the fee for the AB117 Study was approximately $80,000 and was reduced by the contractor, R. W. Beck to $72,000. The initial fee for the Electric Financial Feasibility Study was originally $220,000 and was also reduced to $200,000.

Chairperson Commissioner Gonzalez invited Mr. Smeloff to discuss the importance of AB117 and the importance of shared costs and to have Mr. Bell make remarks as to the advantages and disadvantages of a phased project for the Electric Financial Feasibility Study.

Commissioner Schmeltzer asked the Executive Officer to clarify the length of time associated with the scope of work.

Ms. Young stated that the dates are reflected in the Amendments to the Agreements Nos. 1 and 2.

Mr. Smeloff of the San Francisco Public Utilities Commission stated:

> In his judgement, San Francisco is on the road to public power. San Francisco has made very important strides under the leadership of the Board of Supervisors over the past year in making public power a reality for San Francisco. I would just like to review where we are and give you the bigger picture and to point out why this next step of doing a community aggregation study is important. Under your direction, you instructed us to

put together an Electricity Resource Plan for San Francisco. We delivered the Plan, and it was adopted by the Board of Supervisors in the past month. That Plan lays out a broad vision over the next ten years as to what resources we need to put in place in San Francisco to achieve our goals of improving environmental quality, making sure that electricity supplies are affordable to all of our rate payers, and improving the reliability of electric service. It is a broad vision, but it does include a number of detailed steps we need to take to achieve the more immediate goals of shutting down the Hunter's Point Power Plant and reducing our reliance on the older facilities at Potrero. We have shared that Plan with the policy leaders at the state level at the Energy Commission, at the California Public Utilities Commission, and at the California Power Authority.

I think we have gotten a broad understanding of where San Francisco is going and significant support for San Francisco having a greater role in shaping its electricity supplies and resources. Importantly, you as the Board of Supervisors have settled a dispute with Williams. Now the City just signed this week a bill of sale so the City owns four state of the art combustion turbines that have never been used before that will be extraordinarily clean compared to the existing power supplies. You have instructed us to identify sites and we're moving aggressively to do that. Importantly, we have the support of the state through a ten-year power purchase agreement to virtually eliminate the risk of ownership of these plants in the next ten years since all of the costs of building them and operating them will be passed through to the state through the Department of Water Resources. The benefit of this is that in ten years we will own outright debt free some very efficient and flexible power plants in San Francisco that are really a foundation for public power.

In addition to that, we have started an aggressive program to put solar on public roofs. I know that Supervisor Ammiano is interested in extending that also to private roofs throughout San Francisco. We are already getting international recognition for what we are doing, and we have an aggressive program to commercialize solar in San Francisco.

Also, importantly, you have instructed us to negotiate a settlement agreement with Modesto to get back the Raker Act power that was an entitlement to the city of San Francisco. We have successfully brought a settlement agreement to the Board of Supervisors. It's going to be on your agenda next Tuesday. It will free up all excess power that is not required under law to be sold to Modesto, and we expect to achieve a similar agreement. If not, we will litigate to get a similar agreement or better with Turlock. In 2008, we will have a new source of low-cost power to bring to San Francisco that is part of our road to public power. I hope in the next six months to strategize with you as to how we actually get that

power here. Currently, we are prohibited from using PG&E's lines to bring that power into San Francisco for non-municipal purposes, and it is my intent to enter into discussions with PG&E and to develop a strategy on how we can bring that low-cost clean hydro-electric power to San Francisco.

I am here to support what your staff has done in putting together a scope of work. I think it's an excellent scope of work given the timing now to get us started in analyzing the risks and benefits of community aggregation. We're being looked to by the California Public Utilities Commission (CPUC) as the lead city that wants to do that. The CPUC needs to develop a number of rules and policies. The details of how community aggregation would be implemented in California have not been determined yet. The next six months will be very important. We have intended at the San Francisco Public Utilities Commission (SFPUC) to be in front of the CPUC on a number of venues related to their PG&E's procurement strategy, so-called stranded costs for the state Department of Water Resources (DWR) contracts. How those decisions are made are critical to how we move forward on community aggregation. I'm supportive of the scope of work.

I think it would be prudent to set aside some funds either out of your allocation this year or next year's budget to do some follow-up work after the rules of the road are in place because I don't think that R. W. Beck can answer all of the questions about how to do this until the CPUC says these are the rules that will apply to community aggregation. I want to encourage you to stay focused on community aggregation.

I think we do have an opportunity longer term to look at acquisition of the distribution system, but if we are going to do public power right in San Francisco, there are two things that we need to do. We need to first of all build public confidence in the institutions of city government that they can take on these larger tasks. It is a substantial challenge to manage a portfolio of electricity supplies on an hour-by-hour basis to perfectly match the demand for electricity in San Francisco. You are asking us to do something that is larger than what we are doing. I believe the PUC is up to the task of doing that, but we need to build internal capacity. What I mean by that is staff resources supplemented by some professional technical advice. But internally, we need to build our capability to manage this, and we need to build public confidence.

Ultimately, my view of community aggregation and the larger public power being successful is that we need to have the business community, the neighborhood organizations, and others understand what community aggregation is and support that. In addition to the work that R. W. Beck is

going to do, it is our intent for the PUC to reach out to the community and explain the benefits of community aggregation.

On the other cities--they retain an interest in partnering with us. They see San Francisco as being ahead of the game in our thinking of community aggregation. I need to get back to them and explain to them what the budget is for this level of study and how they could augment that and expand that so they would get information that would be useful for their decision making. We are talking about the cities of Oakland, San Jose, and Berkeley that have expressed an interest in partnering with us.

Chairperson Commissioner Gonzalez asked when you talk about Oakland, Berkeley, and San Jose, what is the likelihood that there would be recovery of any of our costs?

Mr. Smeloff stated they have a limited amount of funds. We need to ask them how much they can put on the table now that we have a detailed scope of work. Instead of thinking about taking the $72,000 and lessening that impact, we should think about seeing whether we can get some funding from those three cities to increase the budget for the scope of work. I am willing to discuss that with them.

Chairperson Commissioner Gonzalez stated it seems to the extent that we have a price tag for doing the work that we need to do, the question for them is yes, they may ride our coattails and pay less and get a certain degree of the benefit of our initial work, but the question is that sounds like a shared cost, but we certainly are not beneficiaries of it. So by being at the forefront of this, the question would be why don't we wait and ride their coattails?

Mr. Smeloff stated I think that they can see that they can be a free rider on the work that they are doing because it would be in the public domain. We are going to spend $72,000 and they can take advantage of the work that we are going to do. If we are going to include them, I think we need to have a dialogue with them about what additional work could be added on to this at a reasonable cost that would add value for them. I think longer term there may be some opportunity to think of community aggregation larger than San Francisco to share some of the risks and responsibilities of managing power supplies on a regional basis rather than a local basis. That's a big issue, and I understand the need to stay focussed. I am getting the task done here so we can make decisions as the City and County of San Francisco.

Commissioner Hall stated we are talking about two different issues. I think in most of your talking you expertly addressed the subject of community aggregation that we have an estimate of $72,000. You talked about addressing and focusing on that and having enough funds to address the follow-up issues. First of all, before we go there, for the public that is watching this, can you in simple terms explain community aggregation versus the second item before us which is feasibility acquisition?

Mr. Smeloff stated community aggregation is that term as defined in the legislation that Assemblywoman Migden passed in last sessions that allows cities and counties to get in the business of buying and selling electricity without necessarily owning the wires and infrastructure to deliver that electricity. It breaks that up between commodity responsibility and the delivery responsibility. Community aggregation would allow San Francisco to sell electricity to businesses and residences and other end users. They would have an opportunity to opt out or to choose another provider including PG&E. They have a limited time to make that choice, but once the Board of Supervisors of San Francisco chose to do community aggregation, then it would become the default provider of electricity to San Francisco.

The difference between that and the acquisition of the distribution system in San Francisco is that under community aggregation, PG&E would still be responsible for delivering the power to homes and businesses. The other study that you are looking at would look at what are the steps and costs involved in taking over the wires so that you would be then commodity and delivery.

Commissioner Hall asked, what do you think would be a fair estimate for follow-up funds for a good aggregation study?

Mr. Smeloff stated my view is that once the PUC has put the rules in place, you should have another $100,000 or so available so we could do some follow-up studies and really put together an implementation plan. The next step after the rules are in place is for you to pass an ordinance to do community aggregation. Once you have done that, we will be in the position of making data requests of PG&E on their customers and on the San Francisco load. We will need to do some detailed analysis of that data to really understand the risks and costs involved in community aggregation. Right now you don't have any of that data to analyze.

Commissioner Hall stated we are empowered under the Charter to aggregate.

Mr. Smeloff stated you have the right under the Charter to sell electricity and you have the power under state law now to aggregate on a default opt-out basis.

Commissioner Hall asked would this $72,000 in your opinion be enough to give us a good game plan to enhance our aggregation ability?

Mr. Smeloff stated I think your staff has put together a good scope of work. I think this is a good first step.

Commissioner Hall stated the additional $100,000 that you are talking about would be nice to have around over what period of time? The next year, the next two years?

Mr. Smeloff stated we are going to push the PUC to move quickly on developing the rules and policies. There is no deadline for them with the exception of the energy efficiency funds within the legislation. So, once they have completed their work on the rules for community aggregation, we should have some funds available. I think that can be as soon as six months if we are really expeditious.

Commissioner Fellman stated following up on what Commissioner Hall said, I have a few questions just about the structure of community aggregation compared to a formal municipal utility structure. Under community aggregation, who would own the power that was being sold to the citizens of San Francisco?

Mr. Smeloff stated it is my understanding that part of it is to decide what structure the City and County of San Francisco wants. My assumption is it would be the Hetch-Hetchy Water and Power Agency would act as the agent that takes title and has that power delivered to San Francisco just as we do now for power that we buy on the wholesale market for municipal purposes.

Commissioner Fellman asked then the City and County of San Francisco would be doing the actual purchasing, evaluating of which prices were best, what reliability was necessary to fit into the overall energy plan that you developed?

Mr. Smeloff stated that is correct and we actually do that right now. We are in the market everyday, buying power, scheduling power through our Hetch-Hetchy power and enterprise.

Commissioner Fellman asked do you need any special control room other than what you have now to accommodate a community aggregation function?

Mr. Smeloff stated there are different ways of doing community aggregation. This is one of the things that your study can help answer. One of the ways is to contract out in the near term with an energy service provider to take on the portfolio management function. Some advantages of doing that in terms of pushing the risk of either being short or long in supplies onto a third party, particularly in this early phase. As San Francisco develops more of its own resources, these four combustion turbines and solar, it does make sense to bring that responsibility into City government and do the portfolio management internally. It's a risk benefit analysis that has to be done. Less risky to delegate that out to a third party. If they make mistakes and buy power at high prices and not enough and they are in the spot market, they are the ones that have to absorb the costs. But ultimately, I think we can do it through a combination of the scheduling activities that we have at Hetch-Hetchy and then augment that here in San Francisco.

Commissioner Fellman asked, that would be essentially what we would do if we were to set up a separate municipal utility within the City and County of San Francisco?

Mr. Smeloff stated we would have that responsibility. As a municipal utility, we would be buying and scheduling power, and you would have the additional responsibility of managing the distribution assets.

Commissioner Fellman asked as a community aggregator, do we also have the ability under state law to set the rates that are paid by the customers that choose to stay within the City.

Mr. Smeloff stated indeed we do. That is an enormous responsibility that will be assigned to the City and a delicate one. I think whether or not the community accepts the City taking on community aggregation, you need to have a rate-making process that is transparent, fair, and that allows due process. There are real advantages of being able to set rates. You can promote load management, shape your load in ways that can lower your overall system costs. But as part of an implementation plan under AB117, we have to put in place a file with the PUC a rate-making process. We take that responsibility away from the state and have that put into City government.

Commissioner Fellman asked as I understand it, we would still get a PG&E bill, is that correct? Or would we just get a Hetch-Hetchy water and power bill for example?

Mr. Smeloff stated likely in the beginning stage, the billing and metering function would continue to be done by PG&E and there would be a settlement process for the City, where the City settles accounts on its purchases of power. Longer-term, the City could look at putting in advanced metering technology. We are already investigating that at Hetch-Hetchy--how to get better meters on our own customers within City government. That's a policy choice on whether as you move towards a broader public power you want to do the billing and metering of the electricity.

Commissioner Fellman asked at the completion of the implementation of community aggregation, exactly what would we be paying PG&E for? What would remain a PG&E cost?

Mr. Smeloff stated you would be paying PG&E for the transmission and distribution of electricity. You would be paying PG&E for the metering, billing, and customer care functions that they carry out. If they were going to be responsible for identifying outages and repairing outages, they would still have a call center and have responsibilities for dispatching crews for going out there and restoring service. As a community aggregator, you don't really have the responsibility to manage local outages. Most times that you lose electrical service the overwhelming majority of time is because of problems in the distribution system. That would still be a cost under community aggregation that would be borne under PG&E.

Commissioner Fellman asked would we also have to pay them for stranded costs for their unrecovered collections?

Mr. Smeloff stated yes we would. That's what I mentioned that we need to see. There are two big issues that the Public Utilities Commission is looking at among others that will impact community aggregation. One is the treatment of so-called stranded costs that is the cost that has been incurred by PG&E historically during the energy crisis and the Department of Water Resources and its long-term contracts. The second is the PUC has mandated PG&E and other utilities to get back in the procurement business and develop long-term procurement plans. PG&E will be filing a plan in April of this year with the PUC. We need to see how that plan interacts with our goals of doing community aggregation. It really is important to have a dialogue with PG&E so there can be some hand-off of that function. We don't want PG&E to be making decisions now that ties up long-term resources that aren't the appropriate ones for San Francisco.

Commissioner Fellman asked do you feel that if San Francisco became a community aggregator, that it would result in lower electric bills for those who chose to participate in community aggregation?

Mr. Smeloff stated that is one of the questions that you have asked of your consultant. You have a good chance of getting lower bills by getting the Hetchy Hetchy power melded into the portfolio. If you don't get lower bills, I think a lot of the people in San Francisco would ask you why you are doing community aggregation.

Chairperson Commissioner Gonzalez stated I appreciate your remarks about budget concerns and your interest in having the LAFCo set aside more money to be able to do post AB117 work. As it is, this entire item could have been funded by the PUC. The LAFCo is not necessarily the agency with the City and County of San Francisco that is mandated to do all of this work. We have accommodated doing this because we also have as one of our priorities carrying this out, and we also do see it as part of the steps necessary to go down to public power. I just want to emphasize that because the other item on our calendar, the item related to the feasibility study, while there may not be a specific campaign related to public power for this year, it nevertheless has been a issue that has floated above so much of the terrain here in San Francisco in terms of it really is a risk benefit analysis to a certain extent.

There are things in our Charter that speak to a public-power mandate or interest and yet the PUC in its infinite wisdom has never pursued this kind of feasibility study and hasn't had that particular kind of interest as one of its priorities. So it puts the LAFCo in an unusual place with an unlimited amount of money to consider whether or not this is something that is valid particularly in light of political campaigns where one side or the other is fighting over feasibility questions, and the public is wondering who is telling the truth. Is PG&E telling the truth that it's going to be too costly? Are the advocates telling the truth? In certain respects, it seems if one of the charges here is to look at options to put to rest that question, it is a valid goal for us. While I hear your concerns for future money for AB117, I also want to say to you, that the PUC is going to have to make a commitment to this.

Mr. Smeloff stated I have made an offer to a very talented person to come in as a manager for community aggregation. She should be aboard around February 18th. I am making steps to build the staff capability to actually carry this out within the PUC. Ultimately, the policy call on whether we do community aggregation is yours as LAFCo and yours as the Board of Supervisors. You need to give us direction that this is something that the City and County of San Francisco sees as beneficial. This initial study that you are doing here should help you in your policy making role to give us that direction. Once you give us that direction, of course you have control of our budget as well and give us direction as the PUC to set aside funds to carry out this activity. You have this bigger policy that you have to make right now as the elected officials and the appointees through LAFCo—do you want to do community aggregation? I don't think we can answer that question solely for you. That's why you are independently doing your study.

Chairperson Commissioner Gonzalez stated clearly it is a priority for us. If the voters approve public financing of campaigns, we know how the process goes. During the budget process, the Mayor gives a directive to its staff to accommodate that within a budget in the same way that AB117 has to become a priority in and of itself within that budget. Notwithstanding all of the problems that we have that is still the natural place it goes. One of the things that allows the LAFCo to do is not turn this into a supplemental request at the Board of Supervisors to try to come up with money that may not be at the PUC because it was not necessarily an anticipation for needing some money to get onto this right away. I think more than anything that is why we are trying to accommodate it because ultimately it is a goal that we share and we happen to have some money here that we can use for this purpose.

Mr. Smeloff is on my radar screen. I am bringing on staff. We are looking at putting money available for consulting services in the next year's PUC budget. It is my intent to follow your direction and do the kinds of additional research that needs to be done. But right now at this point in time, we need the general policy direction from you.

Mr. Mike Bell, R. W. Beck, stated I would like to follow-up on a couple of comments that Mr. Smeloff made. We worked with your Executive Officer to put together a budget for both of those items, both the AB117 and the acquisition. We put together a timetable consistent with the earlier discussions with the LAFCo which anticipated I wouldn't say a sense of urgency, but to move the process along for both items as quickly as possible. Therefore, we established a timeframe of approximately three months for the AB117 work and about a little over four months for the wires acquisition work. The question is to the timing of these items. The acquisition work is much more detailed, much more of a long-term process and therefore from my perspective, I don't see any problem with extending that over a longer period of time.

On the other hand, the AB117 work has a framework essentially established and is a little easier to achieve and accomplish. As Mr. Smeloff identified, there are actions

that the PUC and PG&E are likely to take with procurement that would benefit the City to move forward now with those actions. Otherwise, if PG&E moves forward and acquires the power necessary to serve the City for years to come, it would be more difficult to achieve the AB117 objective. On the other hand, I would like to go back to what Mr. Smeloff said in regard to activities that are currently taking place at the City PUC. If you look at the things that Mr. Smeloff mentioned, such as the acquisition of the four Williams LM6000 units, the Modesto contract negotiations, the solar initiative and the ongoing negotiations with Turlock—that is a very dynamic environment. It is changing the picture of the power supply for the City in relatively short order. Most of those things have happened in the last few months. My point there being as that picture begins to crystallize, that makes the analysis of the acquisition somewhat easier to assess because the power supply component along with the wires component is a huge portion of that analysis. If the power supply piece works and if you have a better feel for what perhaps 60 to 70 percent of your total costs are, estimating the other 30 percent can be done with a lot more thought and reason.

I think that from the perspective of R. W. Beck, these projects could be phased over time. I would recommend to you however that there is a greater sense of urgency with the AB117 work because of the things that will transpire with the PUC. With regard to other cities, we would be more than happy to include other cities should that be your desire. We have done some work in the East Bay area, but it's been on a more regional basis. It hasn't been specifically city by city. That could complicate matters in terms of trying to pull together multiple cities, but we certainly would be open to looking at those possibilities.

Commissioner Schmeltzer stated for the public, could you recap for us the findings and the recommendations from the study that you did for us last year that we subsequently adopted so that people listening know where these two proposals came from.

Mr. Bell stated the previous work that was done indicated that there was a high possibility of potential savings for or through acquisition in San Francisco. During the course of that work, the AB117 was working its way through the legislature and ultimately was adopted and signed into law by the Governor, which opened up a complete new avenue in terms of acquisition of resources for the City and County. That's how this process developed into a bifurcated AB117 versus wires acquisition process.

Commissioner Schmeltzer stated but there were a half dozen specific recommendations that came out of that report last year.

Mr. Bell stated yes, and those basically are included in the analysis of the scope of work; further evaluation of the economics, the resources, and the ultimate benefits of both approaches.

Ms. Young stated Commissioner Schmeltzer, as a part of your work plan with respect to the work for R. W. Beck, there were about seven recommendations as follows: It was modified to include work on AB117.

1. The first one was to develop and adopt a conceptual model of governance for the energy future of the City and County of San Francisco by the SFPUC as an aggregator of retail electricity loads and an energy service provider based on the SFPUC and the Department of the Environment Electricity Resources Plan published in March 2002. There was a request for a separate municipal electric utility created by the Board of Supervisors;

2. Development of an integrated Long-Term Resources Plan, including financial and competition plans for support;

3. Confirmation or modification of the preferred energy supplier role for SFPUC, including a risk assessment and an evaluation of benefits provided to customers, as compared to costs and services that are likely to be available from competing service providers;

4. Assuming confirmation of an energy supply role for SFPUC, monitor and support legislative and regulatory activities that provide for Direct Access and Community Aggregation (e.g. AB117);

5. Development of a Risk Management Plan for the selected energy service model and development of an Implementation Plan;

6. Consideration of SFPUC's acquisition of PG&E's distribution system in accordance with the Energy Services Study;

7. Development of a Financing Plan to fund the costs of the Energy Services Study recommendations.

Then there were the future recommendations.

Nancy Miller, Esquire stated I want to make comments in response to what Mr. Smeloff said and to what Mr. Bell ha been talking about with respect to the study on AB117. Obviously, what we are trying to do with this first study is to figure out whether or not the City and County as an aggregator that is a purchaser of electric power might be able to provide cheaper and more reliable power to its citizens. This is a broad study and the next steps on that study is the implementation plan which Mr. Smeloff and Mr. Bell talked about. I do not think that you as LAFCo can implement the implementation plan. That is really not your charge or legal responsibility. That implementation plan will have to come from the City and County of San Francisco, typically I would assume through your own local PUC. I am assuming that once we do this plan if in fact it shows that community aggregation is

in fact a viable alternative for the City that the SFPUC would have funds allocated to actually prepare the implementation plan. Now obviously we can assist in that. We can do a lot of things to help provide that, but they in fact will have to be the ones to for example, set rates. You won't be doing that. You don't have the power to do that. You sitting here as this body. Sitting as the Board of Supervisors obviously you do. I just wanted to make that one point because I think it is important that the SFPUC start planning for budgeting for the implementation plan; otherwise, the study will just be put on a shelf and put nowhere.

Commissioner Fellman asked is it appropriate to say that the LAFCo's legal function is to review whether or not it is feasible and reasonable for the City and County of San Francisco to pursue the establishment of a community aggregation of either agency or function either within the PUC as a function or a separate agency?

Ms. Miller stated absolutely, but it's that next step as to how you implement it that we don't really have that power. Obviously, we can help and obviously, you have some funds available potentially if you so desire. But really the implementation will have to come from the City and County.

Commissioner Fellman stated I have viewed the study that is before us as doing the feasibility part of that, not the implementation plan. But, if we recommend that it's the PUC or whomever we designate would have to take on those costs and that responsibility for implementation of community aggregation.

Ms. Miller stated the second point I want to make is in terms of timing. I agree totally with Mr. Smeloff and Mr. Bell. Timing is very important on the AB117 issue because PG&E is also preparing its long range plan for how to serve its citizens. They are going to actually provide theirs the beginning or mid-April, May. If you are planning on becoming a community aggregator, you want to have a plan if not then, soon thereafter to be able to make sure that there's room for community aggregation in those long-range plans when the CPUC acts.

Commissioner Hall stated I think that's an important point that you just made as far as prioritizing aggregation versus feasibility acquisition. Ms. Young, how much did we spend last year? Can you give us an estimate on the feasibility acquisition, what was spent last year?

Ms. Young asked on the Energy Study?

Commissioner Hall stated yes.

Mr. Bell stated it was slightly over $100,000.

Commissioner Hall stated before us we have an estimate of $200,000. I know that your company has given estimates to East Bay MUD of a $1,000,000 for a good feasibility study. What are we buying here for $200,000?

Mr. Bell stated the comparison to East Bay MUD was based on an initial study that was done for them that showed a range of potential savings, basically, the same study that we are discussing here. The cost of that study was approximately the same amount as what is being proposed here. What that gave was an analysis that said based upon what we know of the loads, the resources, the likely acquisition cost and that was for a specific region of East Bay MUD service territory, not the entire service territory, but essentially an area west of Oakland Hills, the potential for savings were between one point and another point. Now the cost of doing an actual appraisal of the electric facilities and coming up with a much more concrete set of work for the actual acquisition is that next step that would have been the higher price range. But essentially the work that had been done for East Bay MUD was very similar to what is discussed here in terms of the wires acquisition. It is determining on a preliminary basis, what the power supply costs, what the wires costs, the customer service costs, what all those costs would be.

Commissioner Hall stated it seems to me that between the $200,000 that we get with this, there is $800,00 that I would assume we would want to know in the same points that you addressed in the $1,000,000 dollar estimate for East Bay MUD.

Mr. Bell stated we never did the additional $800,000. The reason that you phased this in like that is because if the economics don't work out, if it shows that there are not sufficient savings or if the risks are too high, you don't ever spend the $800,000.

Commissioner Hall stated but to have a credible complete package, you are ultimately looking upwards to a $1,000,000. Is that correct?

Mr. Bell stated ultimately, if you are going to acquire the wires, you are going to have to do appraisals, and you are going to have to do a great deal of legal work.

Commissioner Hall asked which could amount up to $1,000,000?

Mr. Bell stated it could.

Commissioner Hall stated our own budget analyst back in 1991 estimated that for such a type of study it would go between $600,000 and $900,000. I have great respect for Mr. Rose's office. I tend to agree with you. If we are going to start something, we want to make sure that we are going to go the full distance. Unless we are going to have all of the facts necessary to complete acquisition, I wouldn't want to start anything like that. I think we all know that a million dollars or more is probably what we are looking at in the long run. Am I correct?

Mr. Bell stated only if you choose to go down that path.

Commissioner Hall stated and we are going to do that in stages, but I don't like to start out on a mile race and reevaluate my strength after the first quarter and pull

out. There is a certain commitment there that you make. This is a very serious topic. I think that everybody has to be aware of what we are looking at. It's not just $200,00 of which we spent $100,000 last year. If we were to have true public power, and I am for it. That's why I want to start with what is the most important part of what's before us and that is community aggregation and address this other thing on a step-by-step basis, but knowing full well what it is going to cost us.

Mr. Bell stated that's a valid point. If you move down the long-term path, it is a costly and time-consuming effort.

Chairperson Commissioner Gonzalez stated I just want to clarify a couple of things. The study that we did previously was not per se a feasibility concerning acquisition study. That was a component of the study that also included community aggregation that included the Electricity Resource Plan, that looked at solar, that looked at Turlock-Modesto arrangements. To my mind, that was really a study that was trying to let us know how many different options we had as a City and County.

Mr. Bell stated that is correct and it looked at issues such as local control and those types of issues. It was not intended to be what this study would be which would be a more formal analysis of the actual costs of supply, of transmission, of distribution, of customer service, and how they might compare to other alternatives.

Chairperson Commissioner Gonzalez stated to Commissioner Hall, I think the idea of $1,000,000 sounds so significant. Certainly if you broke it down in terms of the kinds of money that was spent at the Airport related to runway expansion or if you looked at even ten salaries that had been added to government in the last five or ten years with benefits, that ten salaries would amount to that. I think the race analogy is a good one. You don't want to just start something and drop out and not get anywhere because then maybe your investment is lost. But I think that to my mind, we have started on a slower process, on a more training process where we are looking at the likelihood of reaping certain benefits if we were to continue down a certain path. We're not at a place here that we are saying, let's commit a $1,000,000 to this study. We are saying, we did the first thing, we are looking at a lot of different options. This other option seems relevant. I think Ms. Fellman raised a lot of questions that even under community aggregation, what would we be paying PG&E for? What are the implications for that? Certainly, it's a question of priorities and goals, and I think we understand that.

Commissioner Hall stated I think you are absolutely right. I think it is a question of priorities and goals. I am not against taking that big hike. Indeed, with a six or seven billion budget like we have had in the past, this is nothing but a drop in the bucket. I just want to make sure that we take the first baby steps first before we go there. I think that is what the voters want us to do. They certainly weighed in on this issue three times in a little more than a year. From my point of view, I think Mr. Smeloff has made a great case for the necessity and the prioritizing of aggregation

and giving it enough surplus to make sure we are going about public power the right way. We only have $200,000 I am hearing at our disposal.

Ms. Miller stated that is this fiscal year.

Commissioner Hall stated but they are talking about activity happening in three and six months.

Chairperson Commissioner Gonzalez stated Commissioner Hall, let me respond to a couple of points I think are significant. I think the reason why the community aggregation item is here is because we get the sense that it is a priority. I think though that Ms. Miller's comments are significant which is the dollars that Mr. Smeloff is talking about in terms of post AB117 study, the continuing monies that he believes is going to be necessary, that that really is about implementation and should be coming from the PUC. In fact, Mr. Smeloff is indicating that he expects there will be money for that. It's not lost on me that we have had public power campaigns defeated in San Francisco. But as an agency that is in part looking at new governmental entities, government efficiencies and when we see a political campaign waged where a big fight is about whether or not something is feasible or not, whether or not it is going to cost too much or cost too little, whether or not municipal government can do something that a private entity is doing--it seems to me that a part of the charge of this entity is to say well, what about a feasibility study? Let's put this question to rest. Maybe there are unique components about San Francisco that do in fact make it unfeasible. That's what I mean by a sense of priority. I think that fits in with what we have seen out in the political campaigns.

Commissioner Hall stated I have a different look about what feasibility studies are for when it comes to government versus political campaigns. A feasibility study is best utilized when the voters have said we would like this to happen. A feasibility study tells government how it is going to happen. That is when a feasibility study is of its greatest importance to the larger community. I would like to see a feasibility study with public confidence saying yes, we want to take over the acquisition of PG&E. That hasn't happened yet. So to put the cart before the horse bothers me a little bit.

To go back to your political campaign. That's like me last year putting home ownership (HOPE) on the ballot, Supervisor McGoldrick having it studied by our legislative analyst. If I come back in this year and I say I want to make a request of the Legislative Analyst to have HOPE studied, are you going to go for it? We're using public dollars to study something that the public hasn't weighed in on yet. If the public weighs in on it, I'm all for it. If you are claiming the feasibility is going to make the case for public power, then why not have the proponents go out there and raise the money and do a feasibility study just like the opposition has done in reverse.

Chairperson Commissioner Gonzalez stated what I find most interesting about this dialogue is that we're both using the same philosophical concept to argue our point

which is that we shouldn't put the cart before the horse or that we shouldn't have that expectation. You have articulated from the point of view that you think there ought to be a voter mandate for it before we go down that path. I'm saying to the extent that each side of this debate has been trying to sway the public without this piece of information, it's as if we're not assisting the public in knowing what the truth is. We're asking the public to vote for something without information.

Commissioner Hall stated that's part of the political campaign. Our job here as legislators is to oversee how public money that we have in our coffer is being spent. The public has clearly said at this time they're not in favor of public power. Why do we want to prove that side one way or the other.

Chairperson Commissioner Gonzalez stated what if I had said to you the voter could very well have gone to the ballot and said, I am voting against a municipal utility district because I don't think public power is feasible here, or I don't like the way the head of this agency is being elected, or I don't like including Brisbane. Or they go to the polls and they say, I don't want to allow this entity that is being created to have the power to do a feasibility study and then acquire the grid because I don't have any confidence that that's a worthy use of public money. Who knows what the theories are. Those arguments are based on the specific campaign model that is on the ballot, but also whether or not the voter feels sufficiently confident that each side is telling them the truth whether or not it is feasible or not. One of the things that the LAFCo does is government efficiency. I don't think it is our job here to go out and run a campaign or to go out and supply the campaign with the fire power they need. We may do it inadvertently to the extent that this is a topical issue that has been present in San Francisco for decades, and there is that absence of the hard evidence that Mr. Bell's outfit can go out and do.

Commissioner Hall stated I think that same analogy can be said about anything that goes to the ballot except this particular item has been to the ballot and rejected three times in a little more than a year. I think we are pushing it when we say it is our job to provide the public with the very thing that the proponents of public power are saying they are not at their disposal to tell the public about. There are two sides of the public power issue. I happen to be for public power. I think it's great, but not until the voters by and large weigh in on it with the confidence to say you spend the money the way it should be. A feasibility study should tell us exactly how we are going to do things. They are looking at $1,000,000, not $200,000. We only have $200,000 here. They are looking at at least $1,000,000 before we get all of the answers to tell the voters this is the way it should be done. I for one under this particular budget year would not want to allocate those resources at this time. Anytime politics enters into this as this has, we have to be careful.

Chairperson Commissioner Gonzalez stated I think it's a two way sword. On the one hand Mr. Bell is quite right in outlining it. I appreciate you bringing this up because I think it is an important fact to understand that the level of ultimate study to go down a path would be more costly than what is being presented to us right at this

moment. But it's also because there is a certain degree of caution about what would have to happen in order for this kind of activity to happen. You don't just say Mr. Smeloff, can you rent a storefront on Valencia Street and we're going to have a public power operation. I'm a little bit concerned that the argument against taking a step forward is this idea that we want to proceed with caution and caution sometimes costs money. The reason why it may be a valid point to do is in part the material that we've seen from the Long Island Power Authority where that money stayed in the local economy. At a time when other communities are being hurt in the post-911 economy, they've done relatively well because of that public power authority. I think that's very interesting. I don't know all of the details about their experience. I find it interesting to see a Republican Governor issuing press releases about the fantastic success there.

Commissioner Hall stated I agree with you on that, and I think ultimately we are going to go there. But right now as Mr. Smeloff said as many people have indicated, we are already along the path along public power. Let's take the most important efficient first step to make sure the aggregation process happens correctly. I would rather LAFCo pursue that first step so we can look and analyze what the PUC is going to be doing. I think that is a great function of LAFCO, the investigatory powers that we have. Let's insure that aggregation, the first, second, or third step of public power happens correctly. If we are not going to be able to oversee it, you know the PUC isn't going to do it. Let's get the first step off and running and then proceed down this path of acquisition at a later date when we have more time and we can do a thorough study like Mr. Bell is talking about. Let's take the first step first. We owe it to the voters after they have said three times in a year, they are not ready for it. Let's not make the case for one side or the other. Let's try to prove that public power does work and aggregation has a great benefit to the City. It's the most efficient way to bring energy to the City right now. Try to keep the bills lower and then later on convince them, well maybe we have to own the wires. Right now Mr. Smeloff said that's not necessary. I understand the feasibility study is necessary to prove to the public that acquisition may work, but that's not our most important function right now.

Chairperson Commissioner Gonzalez stated I think reasonable minds can differ on this. For one thing what I am hearing everybody agree on is and I don't want to speak for Commissioners that haven't addressed it, but I think that we are all agreeing that AB117 is important, it's a priority.

Commissioner Hall stated when I first got on the Board I was one of the first ones to call for a Department of Public Power. That's what I wanted to ask Mr. Smeloff, have we made any progress along those lines, a Department of Public Power which would deal with aggregating. Had we done that at that time, today we would be saying okay, what is the next step? Acquisition. Maybe we would have the money to look at acquisition. I don't think we're there and again, I think it's beholden upon us with LAFCo to make sure that the first step gets done properly.

Commissioner Schmeltzer stated I want to agree with the Chair about there being broad support on the AB117 and its priority. I think and Mr. Smeloff said this, one of the most important things about keeping this as a priority is that it does give the City a track record and something to look at and say the City is able to do this. If it is in fact able to do that. I think we would all hope that is the case. As far as the feasibility study, I want to say that when I first got my package of materials, I thought this was telling me initially that we could only do one or the other, and we could not do both. That was of a lot of concern to me. I was glad to hear that our Executive Officer had already spoken to the consultant about how to try and phase in different portions. I think a feasibility study without AB117 would be foolish. I think we would have more studies without anything on the ground and any real movement towards trying to establish the City provision of energy services to the public. I'm going back and forth listening to the two of you about the value of a feasibility study at the moment. I don't necessarily think that once you start on that road, that you are fully committed to that $1,000,000 dollars. If we start to get some information and decide this really isn't working, there is no point in throwing good money after bad.

Commissioner Hall stated we can start and pull out, but we do have before us certain limited funds this year and next.

Commissioner Schmeltzer stated and we should understand that this is not the beginning and the end of it. I also think that we put something out there that is partial and it will become a bulls-eye and a target. I think that is something to consider as we look at what we're doing. We may or may not have any resources to back up what we've done or respond to what people say about what we've done.

Commissioner Hall stated that is an excellent point because if we go down that road, we could do more harm without going the whole distance in the total public power effort than we are now. I think that's a beautiful point because if we don't have the resources to show the public as you are saying, Supervisor Gonzalez, that this can or can't work, they are only going to be in the same spot they are in today. I am not so sure we have those funds available.

Chairperson Commissioner Gonzalez stated I wanted to ask Commissioner Schmeltzer, what do you make of the discussion I had with Commissioner Hall about the ballot outcomes? Public power in some form has gone to the ballot, the voters have weighed in and rejected the measures. How does that play in the decision?

Commissioner Schmeltzer stated I tend to think our role as a LAFCo is to provide information on the City's ability to provide new services. In the abstract, we should put whatever information we can pull together and study and put out there to help decide these issues that obviously there are a lot of people who feel strongly about on both sides. We've seen this on many issues in the City—the same issues keep coming up because there are people that care very strongly about them and sometimes power has gone in a particular direction for particular reasons. We've seen it on other issues that they go both ways, one election it's voted up and the

next election it turns around. That is largely due to new information that becomes available. Without that new information, you are having the same argument. My difference is that I think that the kind of information that is going to change that is more likely to come out of AB117.

Chairperson Commissioner Gonzalez stated the experience of seeing government in the energy business in a greater extent as opposed to evidence of what the feasibility is.

Commissioner Schmeltzer stated more abstract information. It's a complicated subject that people can understand on the ground more than the abstract. I'm not sure that's our role to decide which piece it is. I don't want to see the AB117 get lost in the other discussion.

Commissioner Fellman stated we're here as LAFCo to look at what is the appropriate role of the City and County of San Francisco with respect to moving forward on public power issues. We had our energy study. We are looking at the next step. We have before us a state law that offers us an opportunity to take a huge leap forward toward local control for the citizens of the City and County of San Francisco to procure their own power supplies and to basically move into a public power model with respect to electricity. I think our Item 5 study will determine whether that is feasible in a timely manner so we don't lose that opportunity to move forward in conjunction with all the other dynamics that we have heard today.

I also think it is very important and I want to follow up on something that Mr. Smeloff has said and was just commented on in the discussion, that we need to build confidence that the government can take over this role from PG&E. In my informal conversations on the ballot measures, I can't say that I have the same political dialogue that some of you do as supervisors, but the biggest concern I have heard among my friends and colleagues is not that they want PG&E to remain as their power supplier, but rather that they don't trust the City and County to do the work. They don't think the City and County can do it. There needs to be some confidence there.

The City and County can serve the same function as PG&E in a seamless manner because most people are primarily concerned about the fact that when they flick a switch, the lights go on and when they get their bill there is some predictability about what that bill looks like. I urge the LAFCo to focus on the AB117 study and with respect to the feasibility study, that is part of the conversation. I support what you said Commissioner Hall on phasing that so we can take it incrementally rather than jointly. I am also concerned that if we move forward right now with the feasibility study, that we would be using the same personnel at R. W. Beck to do both and there would be a conflict there, so we would not necessarily get the product we want on either one.

Brad Benson, Supervisor Ammiano's Office stated that the Supervisor regrets that he can't be here today to participate in this discussion. I know that the Supervisor's opinion is that there is not an inherent conflict here between pursuing both of these simultaneously. I think the advice from the Executive Officer has been that work can proceed on both of these items starting now and the feasibility study would continue into the next fiscal year where additional funds would be available to complete that work. As to the question of additional work on AB117 analysis, I think it would be worthwhile for LAFCo to consider that an implementation plan for AB117 is really not something that LAFCo should fund. It is something that the SFPUC should fund. LAFCo is looking at, generally speaking, as to whether existing City departments are adequate to perform different types of work, not to do the work of departments. So the PUC, perhaps working with the Department of Environment, should do further work after it completes AB117 analysis on developing an implementation plan. To summarize, Supervisor Ammiano would strongly urge a vote in favor of both of these items today.

Bruce Brugmann, Bay Guardian, stated this is really distressing. After all of these years, eighty years with the Raker Act scandal, literally thirty-four years with the Guardian covering this story to find a Commission that was set up by the public power movement to move public power forward and take on PG&E, and get this scandal straightened around, get our rates lowered, get our service better, and do what 2002 other public power cities in the United States of America are able to do. I come here today and here we have this debate in which the PG&E line is put forth. They don't have to come and testify because the line is right here. Mr. Smeloff comes in. We're all for community aggregation. But he comes in and wants a chunk of this $200,000. He could have gone to the PUC or someplace else. Instead he comes in here and wants this money, a mayoral appointee, and there is not enough money left to do a real study.

Supervisor Hall, who knows exactly what he is doing, runs it up to a $1,000,000. He knows better than that because he was out there with PG&E saying that it was too costly and is too risky. Go out and do your own feasibility study, he tells us. This is what the City is supposed to do. That is what Mike Bell and R. W. Beck are here to do. They do feasibility studies on everything else. The only reason that there has been this problem for so many years to get a feasibility study is because of three letters—PG&E. Anybody who votes against doing these two studies is voting the PG&E line, doing help for PG&E and can no longer say I'm for public power. There is no way to get any confidence along the lines that Ed Smeloff was saying. We need to have a little public confidence in City Hall and being able to do a public power system. We built the dam, we built the power lines, we have been operating a public power system, but we've been operating it under PG&E. How can the public have any confidence in LAFCo or the PUC or the City if this bankrupt PG&E with its terrible record on rates, on service, and on reliability is allowed in effect to control our system? They won't have any confidence. That's the problem and that

will undercut aggregation and every other move that you make if you don't start right now on moving on this issue. This will get us going on putting the last leg on moving ahead on real public power and a public power authority. It will give us the leverage finally after all of these years to negotiate properly with PG&E and not from a prone position. We can negotiate head to head because we will have leverage in a feasibility study that will hopefully show what it should that power would be of an enormous benefit to the City and County of San Francisco.

Commissioner Hall stated Mr. Brugmann, you have been a champion of public power, and I commend you for that for years and years. You know the element that is missing here is what you are asking us to do. Why didn't you do this on your own? I mean all of the time, money and energy that you have spent over the last I don't know how many years, why didn't you go out and have this done yourself? Why are you asking government to pick up the tab to prove your case?

Mr. Brugmann stated you ran the cost up here.

Commissioner Hall stated I didn't run the cost up. That's an expert that gave us estimates. Are you questioning him now?

Mr. Brugmann stated I am questioning the fact that you want me to come up with a million dollars. I don't have it.

Commissioner Hall stated Mr. Brugmann you probably spent several million fighting this cause. Why don't you get off the PG&E kick because I don't own stock in PG&E. I am not here representing PG&E. I am here representing the government, and I am concerned about how the money is spent. If you are asking me to spend the money the way you want to, to kill a company, that's not where I am coming from.

Mr. Brugmann stated if you are not representing PG&E, that's front page news.

Commissioner Hall stated I am sure it will be front page on your paper, so be it. I am asking you, why didn't you after all of these years of trying to kill a company, why didn't you prove your own case? Why are you asking the government to do it?

Mr. Brugmann stated are you trying to say that I'm killing PG&E?

Commissioner Hall stated that is what you just said—they are the demon out here.

Mr. Brugmann stated no, we simply want to do what the Raker Act says, have a public power authority and kick PG&E out of City Hall where they don't belong. This is expensive, but the only way we could get to this point was to spend a bunch of money on the public power movement of people who don't have it. A bunch of money and going out on the streets and getting the signatures for a MUD. That is

the only way we could get this moved at all. Nobody in City Hall would move this except Supervisor Ammiano.

Commissioner Hall asked is aggregation a good first step in your eyes?

Mr. Brugmann stated sure, it's good. We're all for aggregation. What we're not for is to do aggregation without fitting it into the big picture, which is a feasibility study by the people doing it.

Commissioner Hall stated Mr. Brugmann, you are absolutely right. We're not at the big picture yet because the public does not have the confidence that the City can do the job that a private company is doing.

Mr. Brugmann stated you are never going to have the confidence when you sit there representing PG&E and saying in effect, after all of these years we can't move the study.

Commissioner Hall stated please try to understand, I don't own stock in PG&E and I am not a PG&E guy. I realize that anybody that differs with you becomes an agent of PG&E. Try to understand that our job as legislators with a certain amount of money is to go one step at a time. Maybe it will help your case in the long run—I am hoping it will. But right now I am not going to throw the baby out with the wash to satisfy what you say has to be done.

Commissioner Fellman asked Mr. Brugmann, can you please comment on your opinion regarding the community aggregation aspects of Item 5 and feasibility study for that?

Mr. Brugmann stated that's fine, but I would rather have it go to the PUC where it ought to go and not swallow up the money for a feasibility study on the key issue here. This is the key issue. For all of these years PG&E is able to say with the help of Commissioner Hall and a bunch of other people, this is all too risky. This is all too costly. And they spend millions, three million this time around, eight hundred thousand reported after the election.

Commissioner Fellman stated we are aware of that.

Mr. Brugmann stated that's why you have so much difficulty even in dealing with PG&E. That's why the power was sold off to Turlock and Modesto. That's why it has taken all of these years to get here. Now here we are at this vote and you folks are dancing around saying, it really isn't time. When is it going to be time? It will never be time according to PG&E because they make hundreds and hundreds of millions of dollars from the system that they are by law required not to have and that we are required to have. These are baby steps and it has taken us years to get to this point. So we come down here and what do we find? This kind of opposition that resists a simple thing—the start of a feasibility study by the most qualified company

in the United States of America to do it. We have lost hundreds of millions as Long Island shows. We have lost hundreds of millions to PG&E, which has hurt us in this dot com recession. It is hurting the recovery and as a piece of this study, I would recommend you do the Long Island study exactly as it was done there by Mr. Kellner, exactly as it was republished and redone in the Bay Guardian because we found it was over $620 million that was taken out of the economy here every year because of PG&E's high rates. Rates that should go back to the citizens.

Mr. Andrew Bozeman stated I do agree that the time is now to fully examine public power and to move in that direction. However, I do have some doubts, some lack of confidence on the ability of a civil service system to provide the kind of service that is necessary. I ask that as part of your study you consider making this power department a quasi-governmental body because from my impression the civil service system while it provides security and protection from the political process to the workers, it does not reward or encourage performance and efficiency. In order for us to meet the goals of providing more efficient service and better prices, I think we need to break out of the Civil Service system and create a quasi-governmental service somewhat like USPS in order to facilitate and encourage doing a more effective and efficient job.

Mr. Matt Lonner, PG&E, stated I am here to ask you to refrain from funding the electric feasibility study. Supervisor Hall made two correct points. One is that voters have rejected three takeover measures in a little over a year. The Budget Analyst and the City have knowledge that a credible feasibility study would cost at least a million dollars. These two years of conflict have not gotten San Francisco any closer to solving any of its energy needs. Conversely, a number of successes have been achieved or in the process of becoming a reality due to cooperation between PG&E and San Francisco. Measures that are moving us all closer to being able to close Hunter's Point power plant, replace it with cleaner forms of energy, and secure San Francisco's energy future.

By way of example, PG&E is busily at work working on the Jefferson Martin transmission line. That is a 230KV transmission line in San Mateo to San Francisco that is a real solution for San Francisco. We support it. Then Assemblywoman Migden's Bill AB117 would support aggregation. We look forward to working with the City in implementing and achieving the benefits from community aggregation. There is much more that we can do together. Aggregation for example is the best and the fastest way to solve many of the City's energy needs. That ought to be the City's focus. It's not really important that we agree on everything. Instead of focusing on areas that we don't see eye to eye, we should instead focus on areas where we can and should work together. It is in the best interests of the City, certainly in the best interest of PG&E, but most importantly it is in the best interest of the people of San Francisco.

Mr. Francisco Da Costa, southeast sector resident, stated this debate has been very interesting. I think first and foremost we need an evaluation of the San Francisco

PUC. If you followed the debate a few days ago where San Francisco PUC was discussing the whole project of the construction and attending the various rehab of the system, you would see that within San Francisco PUC, there are many gray areas. So I consider we do an evaluation of whatever comes out from San Francisco PUC. SFPUC has done great injustice to the southeast sector. That includes the two power plants because they have a say in so many matters that are not given to the public. There are a lot of people listening over there on Channel 26 and we really don't have the detailed information about the debate that goes on here. Most of the people who are here are informed and have connections. Most of the people who have connections mostly have connections with PG&E. I feel that AB117 is flawed. I may be wrong. During the last elections, we had the opportunity to talk to a lot of personnel from PG&E who maintain the power lines. A lot of them would not want to work for the City.

Mr. Bob Buelo, Vice President, San Francisco Labor Council, stated I personally supported aggregation and I do think we need to have that study. But we can't ignore the other study as well. If we do ignore it and don't fund that one now, all you do is push off that next phase maybe five or ten or fifteen years, and that is not acceptable. We need to move forward on both of them. I would urge you to do so for these studies.

Mr. Charles Kalish, stated although I am a member of Bruce Brugmann's gang, I want Supervisor Hall to know I don't share his opinion about you being a shill for PG&E. I take you at your word that you support the idea of public power.

Commissioner Hall stated absolutely. I was the first one to call for a Department of Public Power.

Mr. Kalish stated I would like to make the point that I feel that you are being wildly disingenuous in asking us to come up with $3 million dollars to compete with PG&E and saying that the voters spoke. The voters didn't speak. PG&E's three million dollars spoke. You know that. It wasn't a level playing field.

Commissioner Hall stated I didn't mention $3 million dollars. I was talking about the money to produce a good feasibility study. The public power site could have easily done that in the last four or five years, and you know that with the money they spent fighting PG&E.

Mr. Kalish stated we don't have any money to fight PG&E. They spent three million dollars to defeat us. I just want to say we didn't lose at the ballot. We got robbed at the ballot because we don't have three million dollars to spend. A point was made to me that it is the job of the LAFCo to help us, the public, see into the future. That's what we are asking for. You want to do it step by step. Ed wants to do it step by step.

I completely believe in what Ed said and what Commissioner Fellman alluded to that we've got to demonstrate to the public that we are capable of doing the job. By that, you build the infrastructure of a department step-by-step. I am totally on board with that. But while you are doing that, you also have to know where the possibilities are for you to go. We need to know what the horizon looks like for acquisition, what acquisition would look like. That is separate from proving to the public that we can do the job and I ask you to look at that. Now is the time. This is when the sense of urgency is here. It's like one of the gentlemen said, we are not going to have this opportunity years from now because the will won't be there, the money won't be there. Let's get the information in front of us. Let's find out what the future has in store.

I also want to discuss and I disagree with Bruce about the capability of R. W. Beck. We need to open this up to other companies. R. W. Beck from what I understand has not led a study in which public power was the eventual outcome. They haven't demonstrated what some other companies have demonstrated, an ability to provide us with the in depth study that is needed. Long Island Light and Power used a different company. Davis is using a different company and came up with a much deeper study. This is what experts are telling me, and I am here because they are not here. I am asking you to open up the bidding to more companies. They gave us a good first step. They're possibly not the company to lead us into the future.

Mr. Richard Ow stated I am happy to hear that Supervisor Tony Hall suggests that we should have public funding to have the study. I suggest that Supervisor Hall will give us his first check to establish this fund for the public power study.

Commissioner Hall stated Mr. Ow I think you misinterpreted what I said. If you would like to go back and look at the tape you will hear that I said we should not use public funds to prove a case. Now if you would like a check from me on that, I will wait until my raise comes in, how's that?

Mr. Ow stated I do not know the intricacies of acquiring public power, but what the businesses and every person in this City want is reliable electric sources without blackouts and reasonable rates. The businesses and each individual cannot pay so much for their electric bill. I was at the MUD on these three issues. The reason we lost every time is because we do not have a public study and PG&E put out all these statistics to their favor. I urge that your Commission approve the study so the people can understand both sides of the story. I hope that the final study will be one page so everybody can understand it.

Mr. Garrett Jenkins stated $200,000 for one page, I don't know about that. I want to thank you Commissioners for the thoughtful discussion on this, but I disagree with you Commissioner Hall. This is a public issue now and we should use public monies to resolve this issue and get down to the bottom of whether or not acquiring the grid and the power system, power production, is feasible and appropriate for San Francisco. We are on the right track so let's just do it and get it done. I think we

should also consider how we are going to provide relief to the people of San Francisco, to the businesses of San Francisco in the long run. I think through public power that can be done. Whatever this body can do to make that happen to give the people the information they need to make an appropriate decision, this body should do. We have talked about aggregation for a long time. It's just a part of moving toward public power. With that information alone, I could make the decision that we should acquire the grid. If we are going to buy the power without owning anything and it's going to be cheaper. Then what if we did own something, then it's obviously going to be cheaper. That would make the decision for me. As far as the political portion of it, I campaigned for public power and what you heard these people talk about, that question came up all the time--you don't know exactly what it's going to cost. That question is going to come up again. Just resolve that question and move forward.

Mr. Tom Roberts stated it sounds like there is consensus on the feasibility of the AB117 community aggregation portion of this. My comment is given community aggregation, if the Hetch-Hetchy agency that is created can follow the ideology of Mr. Smeloff, I think that would be a great step forward. So, if we look at their being $200,000 this year for the feasibility studies or to promote clean distributive power for San Francisco, if we have $130,000 left and we do not spend that on the study for acquisition, can that money be used to advance the community aggregation?

Commissioner Hall stated I can answer that and Mr. Smeloff answered that. The $72,000 would lay out the game plan, which I think one of our responsibilities here at LAFCo is to insure that that game plan is correctly given to the PUC. But Mr. Smeloff would like to see another $100,000 in backup funds to implement it. I agree with him on that. That is where the extra money would go. I would rather see that go into insuring that aggregation gets off to a good start and has enough money to become a reality towards public power. The same reasoning I used when it came to the acquisition study. I would like to know that eventually we could get all the facts that are necessary to complete public power in San Francisco.

Mr. Roberts stated it seems that the funding for what he was talking about would come from separate funds from the PUC, not necessarily funding from this agency.

Commissioner Hall stated I do not know if that's a reality or not. I do know that I want to insure that LAFCo is in control and direction of that aggregation aspect. I am not going to leave that at the PUC.

Public Comment closed.

Vice-Chairperson Commissioner McGoldrick requested a vote on this matter.

Chairperson Commissioner Gonzalez stated to the Executive Officer, if we were to vote on Item 6, would that be the phasing that we were discussing?

Ms. Young stated that is correct.

Chairperson Commissioner Gonzalez asked in terms of the current budget, how much of that money would be committed to Item 6?

Ms. Young stated $100,000.

Chairperson Commissioner Gonzalez stated that would leave about $28,000.

Ms. Young stated it's slightly less than that. You had approved at your previous meeting the fact that we would provide the general budget with a five percent contingency. That number is being upped as we speak. However, I am going to a Mayor's budget meeting this afternoon. If there are adjustments, I have had conversations with legal counsel. There would be some adjustments in the per hour fee of the legal counsel, and we could look at other areas to make appropriate cuts. About $20,000 to $25,000 would probably be available. If you approve Item 5 for $72,000 and Item 6 would be $100,000 to begin the process of acquisition in a phased process to end the study in the next fiscal year, which would then be replenished with consulting fees. If you look at the contract even though there is a slight typo in it, both amendments to the contract start on February 10th. If in fact I am directed today, I will begin negotiations with R. W. Beck to sign off with the help of the legal counsel to execute those agreements. Both dates start February the 10th. Mr. Bell has agreed that can in fact happen. One of the acquisition contracts, given the scope of work, won't be completed until approximately July 28th which would in fact take us into the next fiscal year.

Commissioner Hall stated that leaves us no backup money for aggregation.

Ms. Young stated in this fiscal year, you are absolutely right.

Commissioner Schmeltzer stated under this phased proposal for Item 6, the study would end in the next fiscal year in July. How much of our budget for the next fiscal year would that take up?

Ms. Young stated we have $300,000. If the Commission continues to allow the budget to be left as it is, which you have the ability to reduce your budget--the Board of Supervisors or the City and County does not, then you would have $300,000 in consulting services. We have always estimated approximately $100,000 for legal services which leaves you approximately $200,000 for other studies. It is estimated it won't come in at $100,000, but we are not really sure of that depending upon the negotiations with these amendments to the contract. There is an aspect of AB117 that has a legal aspect to it with respect to some work that will have to be done by our legal counsel. So you will have to keep that in mind.

Commissioner Schmeltzer asked that's this fiscal year?

Ms. Young stated that's this fiscal year. Next fiscal year it is $100,000 that we would anticipate towards legal counsel, unless there is a reduction in the use of our legal counsel.

Commissioner Schmeltzer stated we are looking at a $300,000 budget minus $100,000 for legal fees minus...?

Ms. Young stated minus $100,000 for the second part of the acquisition, which would leave you with $100,000.

Commissioner Fellman stated so what we would be voting on today is Item 6 at the level of $200,000, but the payment is split between Fiscal Year 2003 and Fiscal Years 2004?

Ms. Young stated that is correct.

Commissioner Hall stated if that's the case, why did we all prepare a list here several weeks ago of what our priorities would be--desalinization, solar power, recycled water. This is the last county in the state...

Ms. Young stated at the last meeting that was before the Commission was the work plan including a list of priorities. We had that prepared. That's what we were discussing at the last meeting in December. Commissioner Ammiano raised a proposal around AB117 at that meeting. AB117 is a part of the work plan to begin with. It was felt that was initially a must do. As a result of public comment, there was an additional desire to move toward acquisition. So the work plan in terms of the other items that were on that list, tidal, desalinization, looking at non-profits. Those are still on the table, but we have not dealt with those as of yet because of these two other items that have taken priority.

Commissioner Hall stated under these two items, we will never deal with that.

Ms. Young stated that's a question for your colleagues.

Chairperson Commissioner Gonzalez stated to give Commissioner Hall an idea about my discussions with Mr. Blumenfeld related to tidal energy, he is under the impression with even $5,000 he can start moving on that issue and make public presentations before our LAFCo. I think there is no question that these are substantial amounts as they relate to our budget. I think a lot of our powers are going to be in our ability of inquiry, holding public hearings and not necessarily necessitate the large expenditure of money. We won't be able to do everything we want to, but we will certainly be able to start. You did raise the point about whether there would be any extra money for the community aggregation component. Mr. Smeloff, I just want to remind you, did make the point that he felt there would be money at the PUC or that was a consideration that they are looking at being able to fund that. Our counsel raised the point that that's really part of the implementation

as opposed to part of the studying. I get your point which is we could have that money here to be safe on that.

Commissioner Hall stated assuming that's the case, I go along with that. Let's let PUC pick up the extra money that Mr. Smeloff thinks we are going to need for a proper aggregation program. I am going back then beyond one meeting more. I just see things like reclaimed water and water desalinization and solar power all of those things of being if not equal more important to the community than a feasibility study.

Vote to approve the SFLAFCo Scope of Work for Analysis of Chapter 838 (AB 117-Migden) – the California Community Choice of Energy Law and an Amendment to the Agreement with R. W. Beck to Analyze the Feasibility of Becoming a Community Aggregator and Develop a Plan Required for the City to Exercise its Options to Become a Community Aggregator:

AYES: Vice-Chairperson Commissioner McGoldrick, Commissioners Hall and Schmeltzer; Chairperson Commissioner Gonzalez

NOES: None

ABSENT: Commissioner Ammiano

ACTION: Approved.

Vote to approve the SFLAFCo Scope of Work for Providing an Electric Financial Feasibility Study to Supplement the Energy Services Study and an Amendment to the Agreement with R. W. Beck to Perform the Services

AYES: Vice-Chairperson Commissioner McGoldrick; Commissioner Schmeltzer and Chairperson Commissioner Gonzalez

NOES: Commissioner Hall

ABSENT: Commissioner Ammiano

ACTION: Approved.

7. Resolution Finding Deadlines for Sphere of Influence (SOI) Municipal Service Review Updates are not Applicable and Finding Authority for Service Reviews Under the Future Work Plan (Discussion and Action Item).

Ms. Miller stated this is just a housekeeping item. You do not set any spheres of influence in the City and County because it is consolidated and you don't have any independent districts so the statutory deadlines do not apply to you. This is to confirm that for our records, and I move that it be approved.

No public comment.

Vote to approve this item.

AYES: Commissioners Hall and Schmeltzer and Chairperson Commissioner Gonzalez.

NOES: None

ABSENT: Vice-Chairperson Commissioner McGoldrick and Commissioner Ammiano

ACTION: Approved.

8. Public Comment on Items not on the Agenda.

No public comment.

9. Future Agenda Items.

Mr. Peter O'Donnell, Senior Energy Specialist, San Francisco's Department of the Environment stated I would like you to create a future agenda item that the Department of the Environment is prepared to come in and make a presentation at your next meeting. I believe that is February. We would like to do a presentation to you on the opportunity San Francisco has pursuant to tidal energy as a renewable energy resource. We expect in February to present to you a one megawatt pilot plan drafted by a partner manufacturing company, and we will also be able to bring in state, federal, and environmental spokespersons to address some of the components in looking at the engineering generation and environmental aspects to this kind of feasibility project here in the City and County of San Francisco to simply start a public dialogue to look at these issues. We would very much appreciate that opportunity.

Ms. Isabel Wade, Neighborhood Parks Council stated I wanted to bring a potential agenda item for the future for consideration. It is a matter of energy and also a matter of multiple jurisdictions which I believe is the purview of a LAFCo. Namely, the topic relates to our fresh water lakes in San Francisco. My organization just completed a study regarding the three fresh water lakes in San Francisco and they are in great perii. Two of the lakes in particular have multiple jurisdictions which I think have resulted in our failure to deal with trying to save these lakes. One of the sources of emergency water supplies for a City in an emergency, namely Lake Merced. I was hoping that the LAFCo might exercise some leadership on this topic of our lakes and see if it fits into your purview. I know that Supervisor Hall has been interested in helping Lake Merced so I was wanting to bring this to your attention as a potential agenda item.

Chairperson Commissioner Gonzalez stated I wanted to ask you in the study that you put together, the fresh water lakes. What are we talking about here in San Francisco?

Ms. Wade stated the three fresh water lakes that are natural lakes are Lake Merced, Pine Lake in Stern Grove, and Mountain Lake Park.

Chairperson Commissioner Gonzalez asked is the concern water levels at the lake?

Ms. Wade stated yes, water levels, especially in the two lakes and the big issue is overpumping of the aquifer on the west side and so there is a great need to address that. Because of these multiple jurisdictions, it seems to have been very difficult. There has been an all volunteer task force meeting for a couple of years on this. But as Supervisor Hall knows, it isn't funded. Although the Mountain Lake study and task force was funded because there is federal jurisdiction over there. We haven't had that liberty. Our study was funded by a private foundation. We spent a year with the hydrologist looking at the situation of our lakes. We are normally engaged in advocacy for our park system, but these three resources really are a critical piece of three neighborhood parks. We were actually very surprised to learn that we are the only City in the Bay Area that is not using recycled water in our park system. But we did a study. We have a Master Plan for recycled water that was done in 1996, but we don't seem to make any headway on these things.

Chairperson Commissioner Gonzalez stated to the extent that you have these studies that have already been done, the one in 1996 and then the one with the fresh water lakes, do you think if the LAFCo were prepared to accommodate public hearings that you would be able to put together some folks that could come in and educate us on the issues facing the City as it relates to these items.

Ms. Wade stated we would be happy to help with that if it is the right forum.

Chairperson Commissioner Gonzalez stated because the members have spoken about it in the past, particularly if you have already done some study. If the members are interested, we could get copies and perhaps try to calendar something in the future.

Commissioner Hall stated I certainly appreciate you weighing in on these water issues, but I read your report from cover to cover. There is nothing in there that addresses the advances we have made with Lake Merced. Do you recognize that there is a lot of activity going on there?

Ms. Wade stated absolutely.

Commissioner Hall asked, do you realize there has been a number of agreements signed with users to stop underground pumping? Yet I don't see credit given to the proper people or authorities and I am just wondering why that is.

Ms. Wade stated I am not sure that we saw it that way. I am sorry if that's an oversight because we are absolutely pleased with your leadership on trying to do something about Lake Merced.

Commissioner Hall stated it is not just my leadership. There has been a whole slew of people who have worked on issues that your report does not even address. If we are going to continue to engage the free services of the public and ask other agencies to weigh in on us, I think that has to be recognized on any document as important as the one you put out. I would suggest that before you become an expert on these issues that you look exactly at the work that has gone on, look who is responsible for it, and give credit where credit is due. Then I would be really in favor of having you at every meeting. I haven't seen you at any of the meetings regarding Lake Merced. I appreciate the efforts you do on the park system, but this is a whole different issue. This is something that a lot of people have put their heart and soul and work into. I want to see those people given credit in the future. Just like I would give you credit for the work you have done. You give people credit who are behind Lake Merced that eventually will address Pine Lake and any other thing that you want, but Lake Merced is on its way to being whole, it is up almost two feet. It's not going to happen overnight. I'm sure everybody in town is going to jump on the bandwagon within a year or so. The more the merrier.

Chairperson Commissioner Gonzalez stated Ms. Wade has at least in my private conversations with her has always spoken very highly of the work that you are doing. What I find interesting is that the issues related to lakes is one of the most important environmental considerations facing in the City and they certainly don't get a sufficient amount of attention. I was familiar with what is happening with Lake Merced because you have brought the item to the Board, but I was surprised to learn that there are other fresh water lakes and being informed about the recycled water problem. I think again so much of the work that happens at the Board of Supervisors runs into problems because of an inability to focus on an issue and conduct real hearings. I think that if you take that model that we used with those energy hearings and try to apply them in these other subjects, I think we could really get somewhere. If Ms. Wade is capable of bringing people in on this issue and invite three or four public speakers to try to engage us in a dialogue, I am sure it would be of assistance to you.

Commissioner Hall stated absolutely and the particular lakes that she is talking about all suffer from the common enemy, that is underground pumping of the aquifer that supports the level of every fresh water lake in San Francisco. A lot has been done there. Don't take what I have said the wrong way. I am glad that you are weighing in on this. I could certainly use the help and support. But there are literally dozens of people that have given years of service that I think have to be recognized. That is the value of the report. I would suggest that a report like that should be run by the offices of the people actively engaged in trying to make something happen.

Because otherwise, it becomes just another booklet on the shelf and I have got a stack that high.

Ms. Wade stated that is why I am here today hoping that it won't be a booklet. I apologize for any oversights. We have been active participants in the Lake Merced Task Force. It isn't me personally attending but one of my staff persons have been there.

Chairperson Commissioner Gonzalez stated and this is an important point insofar as the LAFCo has been mired down and all of the talk about energy for good reason. For Ms. Wade to come to the meeting, sit through all of that discussion to bring up this other issue. Clearly, I think there would probably be a lot of folks in the Neighborhood Parks Council who want the kind of more simplistic type issues of parks being addressed by her group.

Commissioner Hall stated one of the things you can help us out with Ms. Wade is the water levels coming up for various reasons and will continue to rise. I noticed that in the last couple of months a rather shabby look at the park areas around the lake. That would be something that you and your volunteers can certainly help bring to the attention of the different agencies responsible, Recreation and Park, Public Works to keeping it clean because of the one thing that is happening and the other thing isn't happening, the overall picture begins to get confused. I would think that is an easy issue to help us here at the Board. We cannot go out and monitor this on a daily basis, but I would like to see your help and support on that issue, keeping the surrounding areas and pathways clean.

Ms. Wade asked as a volunteer?

Commissioner Hall stated no, just as awareness. I am not talking for you and your crew to go out there and keep it clean—that would be great if you could do it.

Ms. Wade stated but we can't do it all.

Commissioner Hall stated the one thing I would like to see happen is some kind of awareness to the state of the grounds around the lake because I think the lake itself is being addressed and I appreciate your help on that as will Pine Lake and every other lake in the City.

Public Comment Closed.

Chairperson Commissioner Gonzalez stated to the Executive Officer, my thinking would be to start scheduling both the tidal issue and the issue of lakes and water in communication with Ms. Wade and Commissioner Hall's office. I think these are areas that we could contribute something to what the City and County is trying to do.

Commissioner Fellman stated that I agree. What I was trying to suggest is that we identified several areas of future interest when we worked as a Committee. If it would be appropriate to ask the Executive Officer to set up a process where we can schedule hearings, establish the topics, and schedule hearings that would be no longer than two hours. The hearings would be on this reclaimed water issue, the proposal for desalinization, and solar power. We could have a hearing every two weeks and have people come in to speak. I don't know if it is appropriate to hire someone to organize those meetings or whether Ms. Young would set up the meetings. We had Mr. Maynor do the energy hearings.

Ms. Young stated, I worked with Mr. Maynor and several of the folks that were here were people that I knew from past experience.

Ms. Fellman stated I would put before the Commission that we would set up these hearings and then we can talk about the mechanism. We've kicked off our Energy Services Study. Let's start doing the next thing.

Ms. Young stated Chairperson Commissioner Gonzalez and I had conversations this past week. There is an interest from the Department of Environment to look at tidal and desalinization which was brought up by several of you and is a part of the work plan. If in fact it is amenable of this Commission, what I suggest is if you schedule a meeting for February 28th, that would allow us to do some public outreach and public notice. I have had preliminary discussions in the past twenty-four hours with staff of the Department of the Environment. They would be willing to provide us with experts on the tidal issue. In addition to that, I had conversations with our legal counsel, and she has indicated that she could also get us a couple of other speakers.

When Commissioner Hall and I were at the CALAFCo Conference, I had an opportunity to talk with the previous City Manager of Santa Barbara, Sandra Jones, who is a friend of mine. She is willing to come up to San Francisco to testify. In 1992 Santa Barbara did not only initiate, but implement a desalinization project. At the time, they were concerned that they had about two years of water supply so it was a fast track process for them. If in fact we were to ask her previous staff to attend the hearing, for instance the Public Works staff-person, we would definitely have to think about funding and paying for them to come up and go back that day. If February 28th is a date that is amenable to you, then we could notice the hearing. It would be a matter of what you want to see happen on that date.

Chairperson Commissioner Gonzalez stated my suggestion would be for our Executive Officer to set this up in late February, but let's have an intervening meeting in a couple of weeks so she could present to us what her plan is for that meeting. Later in March, we could do a similar thing and have planned the next hearing. If you think at the next meeting, you could be discussing different kinds of public hearings in late February or early March that would be ideal also.

Ms. Young stated, the problem is that I will be in Sacramento next Friday and will be part of the deposition for our case in litigation. I asked our attorney if she was available on the 14th, and she is not. I believe Commissioner Schmeltzer has indicated she is not available on the 21st. That leaves us with the 14th and the 28th. The question is whether I can bring you a plan or take the fact that we have resources available from the Department of the Environment and from our legal counsel with respect to the whole issue of tidal, and move on that issue. At the 28th meeting, I could then come to you for a plan for other opportunities.

Ms. Fellman stated so in other words, there would not be another meeting until the 28th?

Ms. Young stated unless you decided on a meeting on the 14th. I would have to talk to our legal counsel about the 14th. I could try to contact her within the next week as to whether there are other items that make sense for us to meet on that date.

Chairperson Commissioner Gonzalez stated my thought would be to have the meeting on the 14th. If we don't have a quorum, then we won't have the meeting. If there's enough members here that could at least discuss what would be happening on the 28th, that would be ideal. We could have the City Attorney staff the meeting insofar as our previous decision had been to use them on occasion. There are going to be cases when an individual member isn't present, but I think we would at least have a quorum to have that discussion.

Ms. Young stated I will need direction today if you want to select the 28th. If we are going to select the 28th, we would have to have a public meeting. That means we would have to do a 21-day notice in order to be legally compliant. That's why I was looking at the 28th as the furthest date and the first possible date that would allow you to get notice out if we were going to coordinate with the Department of the Environment at give the community an opportunity to know this is happening.

Commissioner Fellman stated I am not available on the 28th. I would like to hear the presentation, but I can always catch up. Given the time, would we lose that much ground if we waited another two weeks for the hearing?

Ms. Young stated, no we wouldn't.

Chairperson Commissioner Gonzalez stated I think we have to be very careful to not get into a position where we never schedule meetings unless everyone can be here. Reality is we will just run aground if this is the case. I think if the Department of the Environment can put this together by late February, I would be glad to work with Ms. Young and the Department of Environment so you could meet the public notice requirements. I would rather start moving in a direction where we could start having a dialogue.

Commissioner Hall stated so the particular topic would be what?

Ms. Young stated as a part of your work plan, there was some discussion about the use of tidal water. The Department of the Environment is also interested in pursuing that aspect as well. They are willing to provide and work with not only other agencies that have in fact used tidal water, but also vendors, experts, etc. to bring us a public hearing similar to the one we had on public power. Ms. Miller indicated she could also add some resources to that pool. It is on your work plan and is what the Commission has approved.

Commissioner Hall asked did we prioritize the work items?

Ms. Young stated you did not prioritize them. The priority was to first go forward with AB117.

Commissioner Hall stated just a note that we are the last County in the state that is not using recycled water. That is going to happen sooner or later. I don't want to de-emphasize the importance of desalinization or tidal water, but we are going to have to address the recycled water issue sooner or later.

Chairperson Commissioner Gonzalez stated let's address the issue in March. The only reason I am picking this one in February is because I know our local Department of Environment is prepared to give us a presentation, so I am feeling that they can meet that deadline, but I am not seeing it as a greater priority than the other.

Commissioner Fellman stated for planning purposes, let's say we will do tidal in February, recycled water in March; desalinization in April, and then in May we are going to get the aggregation study from R. W. Beck.

Ms. Young stated I will put something in writing back to all of the Commissioners.

Ms. Fellman stated I think that covers everything we have identified for this fiscal year as far as our scope of work.

Ms. Young stated we are also in the process of having to prepare our budget and that's taking a great deal of effort, so trying to do both would be slightly difficult.

No public comment. Public comment closed.

10. Adjournment.

The meeting of the San Francisco Local Agency Formation Commission adjourned at 12:35 p.m.

San Francisco Local Agency Formation Commission

Main Library
Government Documents Section

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

AGENDA

Note: Each item on the Consent or Regular agenda may include explanatory documents, including Executive Officer report and public correspondence. These items will be available for review at City Hall, Room 244, Reception Desk.

Special Meeting
Friday, February 14, 2003 at 2:00 p.m.
City Hall, Room 263

Chair: Commissioner Gonzalez; Vice-Chair: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate Members: Commissioners Peskin and Fellman

Clerk: Monica Fish

DOCUMENTS DEPT.
FEB 6 2003
SAN FRANCISCO PUBLIC LIBRARY

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call.

2. Discussion and Action regarding Request from Commissioner Gonzalez to Discuss and Act on Meeting Twice a Month. (Continued from the January 31, 2003 meeting.)

3. Discussion and Action on the Proposal for Budget Reductions for the San Francisco Local Agency Formation Commission (SFLAFCo) for Fiscal Year 2003-04.

4. Discussion and approval of the Proposed SFLAFCo's Work Plan Approach and Next Steps (Discussion and Action item) (Continued from the December 20, 2002 meeting).

5. Discussion and Action of Future Public Hearing Items that include 1) Renewable Tidal Energy; 2) Recycled Water and Ground Water; 3) Desalinization; 4) Solar Power and Energy Conservation; and 5) R. W. Beck Report on Community Aggregation.

6. Future Agenda Items.

7. Public Comment on Items not on the Agenda.

8. CLOSED SESSION

CONFERENCE WITH LEGAL COUNSEL

Motion that the San Francisco Local Agency Formation Commission convenes in closed session. Conference with Legal Counsel – Existing Litigation (Government Code Section 54956.9(a).

E. J. Simpson v. Local Agency Formation Commission of the City and County of San Francisco: San Francisco Superior Court Case No. 412427.

Question: Shall this Motion be ADOPTED?

PUBLIC COMMENT

ADJOURN TO CLOSED SESSION

After a closed session, if one occurs, the Chairperson shall (1) request the Legal Counsel to identify the subjects discussed in the closed session, and (2) direct the Clerk to report the vote taken on any motion in the closed session.

[Elect To Disclose]
Motion that the SF LAFCo finds it is in the public interest to disclose information discussed in closed session, and directs the Chairperson immediately to disclose that information.

[Elect Not to Disclose]
Motion that the SF LAFCo finds that it is in the best interest of the public that the Board elects at this time not to disclose its closed session deliberations concerning the litigation listed above.

RETURN TO OPEN SESSION FOR ANY REPORTABLE ACTION

9. Adjournment.

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to LAFCo, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of LAFCo members. Any written comments should be sent to: Committee Clerk of LAFCo, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the Committee Clerk by that time may be taken directly to the hearing at the location above.

DISABILITY ACCESS

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142.

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Clerk of the Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7724, by fax at (415) 554-5784 or by email at Donna_Hall@ci.sf.ca.us.

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.ci.sf.ca.us/bdsupvrs/sunshine.htm.

San Francisco
Local Agency
Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT.

MAR 1 4 2003

SAN FRANCISCO
PUBLIC LIBRARY

MINUTES

Special Meeting
Friday, February 14, 2003, 2:00 p.m.
City Hall, Room 263

Chairperson: Commissioner Gonzalez; Vice Chairperson: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call

   The meeting was called to order by Chairperson Commissioner Gonzalez at 2:08 p.m.

   Members Present: Chairperson Commissioner Gonzalez, Commissioners Ammiano, Hall, and Schmeltzer

   Member Absent: Vice-Chairperson Commissioner McGoldrick

   Gloria L. Young, Executive Officer and Nancy Miller, Esquire were noted as present.

2. Discussion and Action regarding Request from Commissioner Gonzalez to Discuss and Act on Meeting Twice a Month. (Continued from the January 31, 2003 meeting.)

   Gloria L. Young, Executive Officer discussed the proposed schedule of meetings that proposes the LAFCo meet two days per month. The schedule takes into account Board Committee meetings, Board of Supervisors meetings, and outside agency representation. The schedule also gives staff an opportunity to pull people

for public hearings with a date and time certain and allows time for public notice. September would have only one meeting because the Board of Supervisors will be on vacation from August 27 through September 14, 2003.

Chairperson Commissioner Gonzalez discussed that his intent in setting up a meeting schedule was for ease of scheduling and meetings could be cancelled or changed if necessary.

Commissioner Hall affirmed that the schedule was set for the LAFCo to meet at 2:00 p.m. when the Golden Gate Bridge Highway and Transportation District meetings are scheduled at 10:00 a.m., and 10:00 a.m. on days they are not scheduled to meet.

The Commission unanimously approved meeting twice a month as noted on the proposed schedule. The schedule is on file at the Clerk of the Board's Office, Room 244, City Hall.

3. Discussion and Action on the Proposal for Budget Reductions for the San Francisco Local Agency Formation Commission (SFLAFCo) for Fiscal Year 2003-04.

Ms. Young discussed the Mayor's budget instructions for Fiscal Year 2003-2004 requiring that the SFLAFCo's proposed budget would be reduced by ten percent, and that ten percent in contingencies be identified. The Commission received documentation that shows what the ten percent reductions and ten percent contingencies would be. Ms. Young identified the areas where reductions were made as follows: (1) services of other departments; (2) legal services; (3) consultant services; (4) materials and supplies; (5) conferences; (6) records management storage and also identified the increases as follows: (1) membership dues CALFACo

LAFCo has to adopt their budget each fiscal year. The first public hearing on the budget that will contain details and explanations is scheduled for March 14, and the second public hearing adopting the budget is scheduled for April 11.

Chairperson Commissioner Gonzalez asked if the ten percent contingency is scheduled for a certain date.

Ms. Young stated that the actual budgets are due February 21st to the Mayor's Office, and the first ten percent would be in that budget if approved by the Commission. The second ten percent contingency recommendations are due approximately March 17th.

The Commission unanimously approved that SFLAFCo's budget be reduced by ten percent and that an additional ten percent reductions be identified in contingency.

Documentation identifying budget reductions is available at the Clerk of the Board's Office, Room 244, City Hall.

4. Discussion and approval of the Proposed SFLAFCo's Work Plan Approach and Next Steps (Discussion and Action item) (Continued from the December 20, 2002 meeting).

   Ms. Young discussed that no action was taken at the December 20th meeting on the Subcommittee report on the proposed SFLAFCo's work plan approach and next steps. The question is whether the Commission wishes to act formally on the Subcommittee recommendations. A number of the items in the Subcommittee Report have been approved at the last meeting, AB117 and the Feasibility Study for acquisition. However, the report also includes other issues that are related to the next agenda item and identifies other potential areas that the Commission will be addressing in future public hearings.

   The Commission unanimously approved SFLAFCo's Work Plan approach and next steps as outlined in the Energy Subcommittee memorandum dated December 16, 2002 which is on file at the Clerk of the Board's Office, Room 244, City Hall.

5. Discussion and Action of Future Public Hearing Items that include 1) Renewable Tidal Energy; 2) Recycled Water and Ground Water; 3) Desalinization; 4) Solar Power and Energy Conservation; and 5) R. W. Beck Report on Community Aggregation.

   Ms. Young discussed the proposed schedule of public hearings. The Renewable Tidal Energy hearing is scheduled for February 28th at 2:00 p.m. The Department of the Environment will be taking the lead for that public hearing. It was requested that the Recycled Water and Ground Water public hearing be rescheduled from March 28th to April 25th and the Desalinization hearing be rescheduled from April 25th to March 28th because of speaker availability. The other two hearings include Solar Power and Energy Conservation scheduled for May 23rd at 10:00 a.m. and the R. W. Beck Report on Community Aggregation (AB 117) Migden for June 20th at 10:00 a.m.

   Commissioner Schmeltzer asked if there is any more information on the Solar Power and Energy Conservation hearing, and if it would be possible to have the two topics heard separately as there is quite a bit to talk about on each of those topics.

   Commissioner Ammiano stated that his office is working on Propositions B and H related to this topic and could give an update at the public hearing.

   Ms. Young stated that Ed Smeloff, Director of the San Francisco Public Utilities Commission as well as Jared Blumenfeld, the Director of the Department of the Environment have been working together, and it is their expectation to hear those two topics at a combined hearing. A follow-up hearing may be an option for the Commission.

Chairperson Commissioner Gonzalez requested that the Executive Officer suggest that a follow-up hearing may be feasible. A question was asked as to the time allotted for each public hearing.

Ms. Young suggested a two-hour timeframe for each public hearing.

The Commission unanimously approved the revised schedule of public hearings as Ms. Young discussed.

6. Future Agenda Items.

No further future agenda items were discussed.

7. Public Comment on Items not on the Agenda.

No public comment.

8. CLOSED SESSION

CONFERENCE WITH LEGAL COUNSEL

Motion that the San Francisco Local Agency Formation Commission convenes in closed session. Conference with Legal Counsel – Existing Litigation (Government Code Section 54956.9(a).

E. J. Simpson v. Local Agency Formation Commission of the City and County of San Francisco: San Francisco Superior Court Case No. 412427.

Question: Shall this Motion be ADOPTED?

Nancy Miller, Esquire recommended that the SFLAFCo convene in closed session.

The Commission unanimously approved the motion to convene in closed session.

PUBLIC COMMENT

No public comment.

ADJOURN TO CLOSED SESSION

After a closed session, if one occurs, the Chairperson shall (1) request the Legal Counsel to identify the subjects discussed in the closed session, and (2) direct the Clerk to report the vote taken on any motion in the closed session.

[Elect To Disclose]

Motion that the SF LAFCo finds it is in the public interest to disclose information discussed in closed session, and directs the Chairperson immediately to disclose that information.

[Elect Not to Disclose]

Motion that the SF LAFCo finds that it is in the best interest of the public that the Board elects at this time not to disclose its closed session deliberations concerning the litigation listed above.

RETURN TO OPEN SESSION FOR ANY REPORTABLE ACTION

Commissioner Ammiano motioned not to disclose the SFLAFCo's deliberations; Commissioner Hall seconded; unanimously approved.

Ms. Miller reported that the Commission met in closed session on the matter of E. J. Simpson vs. the San Francisco Local Agency Formation Commission. The settlement of the litigation with Mr. Simpson was discussed and by unanimous vote the Commission agreed to settle the matter for $25,000. In terms of the budget impact, R. W. Beck agreed to reduce their cost for the Energy Feasibility Study by ten percent, which frees up $20,000 in the existing budget so the net cost of the settlement to LAFCo would be $5,000.

The litigation was brought by Mr. Simpson as a result of SFLAFCo's termination of his contract and belief that Mr. Simpson had not fulfilled his duties under the contract. The settlement amount is an amount that had been mediated with Mr. Simpson and his legal representative. The judge was Justice Pulio, retired Justice. The mediation was held in Sacramento and Mr. Simpson was represented by legal counsel. The court recommended the settlement and in return for the payment, the litigation would be dismissed without prejudice.

9. Adjournment.

The meeting of the San Francisco Local Agency Formation Commission adjourned at 2:40 p.m.

San Francisco
Local Agency
Formation Commission

Main Library
Government Documents Section

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

AGENDA

Note: Each item on the Consent or Regular agenda may include explanatory documents, including Executive Officer report and public correspondence. These items will be available for review at City Hall, Room 244, Reception Desk.

Special Meeting
Friday, February 28, 2003 at 2:00 p.m.
City Hall, Room 263

Chair: Commissioner Gonzalez; Vice-Chair: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate Members: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call.

2. Approval of Minutes for the Commission Meeting of January 31, 2003 (Discussion and Action Item).

3. San Francisco Local Agency Formation Commission (SFLAFCo) and the Department of the Environment's Public Hearing on Renewable Tidal Energy.

4. Future Agenda Items.

5. Public Comment on Items not on the Agenda.

6. Adjournment.

DOCUMENTS DEPT.
FEB 20 2003
SAN FRANCISCO
PUBLIC LIBRARY

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to LAFCo, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of LAFCo members. Any written comments should be sent to: Committee Clerk of LAFCo, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the Committee Clerk by that time may be taken directly to the hearing at the location above.

DISABILITY ACCESS

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142.

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Clerk of the Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7724, by fax at (415) 554-5784 or by email at Donna_Hall@ci.sf.ca.us.

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.ci.sf.ca.us/bdsupvrs/sunshine.htm.

San Francisco Local Agency Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT.

APR 1 2003

SAN FRANCISCO
PUBLIC LIBRARY

MINUTES

Special Meeting
Friday, February 28, 2003, 2:00 p.m.
City Hall, Room 250

Chairperson: Commissioner Gonzalez; Vice Chairperson: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call

   Chairperson Commissioner Gonzalez called the meeting to order at 2:12 p.m.

   Members Present: Chairperson Commissioner Gonzalez, Commissioners Ammiano, Hall, and Schmeltzer

   Member Absent: Vice-Chairperson Commissioner McGoldrick

   Gloria L. Young, Executive Officer and Nancy Miller, Esquire were noted as present.

2. Approval of Minutes for the Commission Meeting of January 31, 2003 (Discussion and Action Item).

   Commissioner Ammiano moved to approve the January 31, 2003 meeting minutes; duly seconded. No public comment. The January 31, 2003 meeting minutes were unanimously approved with no objection.

3. San Francisco Local Agency Formation Commission (SFLAFCo) and the Department of the Environment's Public Hearing on Renewable Tidal Energy.

Chairperson Commissioner Gonzalez stated that in the past year, the SFLAFCO's work has been dominated by public power discussions that are similar to the tidal topic being discussed today. He stated that he had an opportunity to see presentations by Drs. Hassard and Neil, has spoken to the Department of Environment's Director, Jared Blumenfeld and Peter O'Donnell, Senior Energy Specialist, and is excited about the prospects of tidal power particularly here in San Francisco.

Jared Blumenfeld, Director, stated that the Local Agency Formation Commission was a perfect forum for airing issues of new technologies especially in the critical area of power generation here in the City and County of San Francisco. Every single day under the Golden Gate Bridge, 400 billion gallons of water passes through. Sometimes, that water can be going up to speeds of six knots. For the past 150 years, there has been a history of efforts to capture tidal power, not so much here in San Francisco, but around the world. There has been an effort to harness this energy that is clearly there and can be seen every day, but hasn't been effectively translated until recently efficiently into power.

One of the things that has been going on is that the San Francisco Public Utilities Commission and the Department of the Environment engaged in a community process which took over a year. Sixteen public meetings were held and an Electricity Resource Plan was produced. When you look at San Francisco from an electrical perspective, we are at the end of a peninsula. We have limited transmission coming into the City, and we have two aging power plants. One is the Potrero Hill Power Plant and the other is the Hunters Point Power Plant, both in the southeast of the City, both environmental justice issues. The leadership of Supervisor Ammiano and Leno put forward thinking initiatives on the ballot about a year and half ago--Propositions B and H. Those basically brought to the forefront the whole issue of solar renewable energy. The City's goal is to put more than 10,000 rooftops that would have panels which would generate roughly 60 megawatts of electricity. But the City's peak demand is about 875 megawatts, so the real question is if we're committed to getting to renewable power as the total source of San Francisco's power in the future, we have to look at a different range of alternatives. We're looking at wind. One of the alternatives that had not been explored until recently with a great deal of focus is tidal.

This is an opportunity today to examine two things, one is the technology that now exists that has revolutionized the way that we do business. The main problem in the past was that if you could imagine 300 feet of water moving anywhere of up to six knots underneath the Golden Gate Bridge of highly corrosive water, there is huge problems with anything that has moving parts, from an engineering perspective in terms of both the taut and the stress on the structures and the long-term durability due to corrosion, not to mention maintenance. There are additional environmental

problems related to moving parts in the water because of marine mammals and other marine creatures. There has been a history of people seeing tidal power as something being not environmentally friendly. In large part, they were right, it wasn't. It wasn't something that this Department wanted to talk to or promote because it wasn't something we could get behind. Today, the technological revolution that we will hear about allows you to get power out of the tide with no moving parts under the water. By having no moving parts, you avoid all of those problems that existed in the past. Additionally, we have a large amount of ship traffic coming into the Port of San Francisco and Oakland and we didn't want anything to interfere with that navigation. The new solutions overcome those problems.

Today we will also hear from the U. S. Geological Service on what exactly is the resource that we have at our disposal. We are blessed with a City that is surrounded by water on three sides, so unlike many other renewable energy sources and in particular the wind and the sun, the tidal current is as consistent and predictable as the tide charts. So, 250 years from now I can tell you when the tide will be high and when it will be low. Unlike sun or wind, it doesn't rely on the weather being good or bad or even wave technology that really depends on the height of the wave and the power of the wave. This relies on the tides that are very predictable. In terms of when you look at electricity generation and the key elements in San Francisco as with most metropolitan areas is peak demand. Our peak demand is about 875 to 960 megawatts. So the real question is, what is the intersection between the tidal source that exists out there and peak energy demand? The interface between those two is that about 80 percent of the time the tide would provide a reliable resource for peak demand. It's been estimated that anywhere outward of 1000 megawatts exists underneath the Golden Gate Bridge. If you presume that it was 1000 megawatts and we use on average about 600, then on an average day you would have 600 megawatts that we'd be using and 400 that we would not. That would roughly equate to more than $250,000 a day that should the infrastructure exist, we could sell down the peninsula. So not only is it something that we can use for our own internal needs, but it also would provide much needed City revenue.

In terms of where we go next, the goal of this meeting from my perspective is to try and convince the audience and the LAFCo that what is really needed is a one megawatt pilot project. Does this really work? The only way to find out and do it in a scientific and thorough way is to do a one-megawatt pilot program, and the speakers will address that particular issue.

Another issue that the LAFCo is examining is Carol Migden's legislation that would allow for community aggregation. Should the City pursue that route, community aggregation would allow the City to decide what electricity we would be buying. At the moment, the utilities make those decisions for us, so we have the mix of nuclear, even coal, gas, and some renewables. Should the City decide that they want a percent of that electricity to come from tidal, then a power purchase agreement

could be created that would allow a manufacturer and a placement firm to actually use that power purchase contract to allow for a note of credit for this to be built. We see it as an option that needs to be explored if only for environmental justice reasons. At the moment all of our power is coming from one sector of the City of the southeast. There is an unacceptable burden on that population. We also have issues like global warming, which is significant for San Francisco. This is a zero emission, zero pollution option. So today is the first time we can really look at this issue and hopefully, the panelists will be able to answer any questions from the public.

Speakers

Julia Curtis, Climate Protection Division Manager, Department of the Environment, made a presentation and gave an overview comparing renewables with comparing tidal power to wind and solar. Topics discussed were renewable energy and its importance to San Francisco; San Francisco's commitment to renewable energy; benefits and concerns of renewable energy resources; history of tidal power; and tidal energy is a real alternative.

Dr. Ralph Cheng, Senior Research Hydrologist, United States Geological Survey, made a presentation on tidal energy and made an assessment of the Bay's natural resource, the tide. Topics discussed were using the UnTRIM and TRIM Models to estimate tidal energy potential; numerical modeling.

Dr. John Hassard, President and Dr. Joseph Neil, CEO, HydroVenturi, Power Industry and Technology Specialists, made a presentation on tidal energy in San Francisco Bay and how we actually operationalize a one-megawatt power pilot proposal. Topics included an introduction to HydroVenturi; power module being deployed in Grimsby, UK; the Rochester Power System; and San Francisco Bay 1MW System.

Dr. Tony Jones, Director, Practical Ocean Energy Management Systems, made a presentation on the HydroVenturi technology as applied to the San Francisco Golden Gate from an Oceanographers Perspective and discussed environmental issues.

Copies of all presentations are available at the Clerk of the Board's Office, Room 244, City Hall.

Commissioner's Question and Answer Session

Question: Chairperson Commissioner Gonzalez: the module that you had a picture of that was being used in Grimsby, how many were installed?

Answer: Dr. Neil: we actually installed just the one. Once you have built and installed one and watched how one operates, the rest is predictable. All of the

phenomena are relatively linear. The system in Grimsby had a specific goal. It was to insure that our modeling and the predictions that we had made in the laboratories were accurate. It wasn't so much to optimize power production, though that obviously is a goal.

Question: Chairperson Commissioner Gonzalez: when we talk about the possibility of a one-megawatt pilot program in San Francisco, how many of those modules are we talking about?

Answer: Dr. Hassard: that the idea is that we would be installing twenty such modules in Iceland to make one megawatt. It depends on the tidal characteristics and the speed of the water. The site in Iceland, which we know very well, there are twenty such systems.

Question: Commissioner Schmeltzer: when you say a module, you mean the eight-foot diameter height is a module?

Answer: Dr. Hassard: that is correct. It is also important to note from what you saw from the video, the configuration of the venturi for San Francisco and most other ocean sites would be of a different geometry, but the principles are the same.

Question: Chairperson Commissioner Gonzalez: I know that you mentioned Iceland, did I hear a mention of Scotland also?

Answer: Dr. Hassard: about the six best sites in the world would include Scotland, Iceland, and San Francisco, so we are picking the best sites to start with.

Answer: Dr. Neil: we have a program, which San Francisco would be the third deployment that we do. We are looking at Scotland and Iceland as experimental and actually producing power, not just test sites.

Question: Chairperson Commissioner Gonzalez: the sense I got from the module but also the other diagrams is that these modules can work in almost a building a block way. You just essentially would stack them or put them side to side. Is that accurate?

Answer: Dr. Hassard: Yes, there are many reasons for this. One is that it is much easier to build. If you have modularity, construction costs are much smaller and can be handled by a normal boat yard. Another issue is that you can stack them and configure them to any given tidal race. You don't have to have multiple designs according to the particular sites you have chosen. A third reason is that should you have used your best estimates on environmental impact and you get them wrong, then you can always remove modules. We don't anticipate this. Particularly, if we can use Dr. Cheng's software, but if it should happen and we can take units off until we know there is no possibility of environmental impact.

Answer: Dr. Neil: in fact, we can balance environmental concerns with power production by using the modularity of the system, so it is not as if you have to deploy a massive great power system right across the bay.

Question: Chairperson Commissioner Gonzalez: can you give me some idea of what the depth is under the bridge and what advantages or disadvantages there are related to that?

Answer: Dr. Cheng: underneath the Golden Gate Bridge the water depth is about 100 meters or 300 feet. The area of deep water is a relatively small region where water shallows up quickly on either side of the bridge.

Question: Chairperson Commissioner Gonzalez: so your thoughts on the advantages or the disadvantages of that depth?

Answer: Dr. Hassard: a 100 meters is not optimal. It is about 40 meters deeper than what we would like it to be. Sixty meters is better for us because that is the limit that divers can go. We don't need divers very often, but occasionally in installation we will need divers. We like depth because it turns out the system works better if it is further down. We can make the system work in ten meters of water even in fact two meters, but with extra engineering. Anywhere between ten meters and sixty meters is perfect for the system.

Answer: Dr. Neil: I would like to add that one of the interesting things brought up by Dr. Jones is the profile of plankton flotation. What we can do with the system is begin to deploy it to the bottom of the bay and build it up until you are sure that you are not impacting the profile of flotation of certain types of plankton to minimize any kind of impact on that critical bio-mass. The other thing is that we don't have to be up to the surface or anywhere near the surface in order to function correctly, and therefore, we are significantly distancing ourselves from the navigation channel. So we are leaving lots of water above the system. It doesn't have to be up to the surface.

Question: Chairperson Commissioner Gonzalez: I appreciate Dr. Hassard, the reference to the minimum amount of depth that you can work with. What do you need to allow for ships to be able to get through?

Answer: Dr. Hassard: I don't know the required clearance depth for the ships going in and out of the Golden Gate, but in the Solent, which is the southern part of England, the maximum we need to leave is 18 meters. Probably in San Francisco it is about the same, maybe about 25 meters.

Answer: Dr. Cheng: it is shallower than that. Outside of the Gate, there is an area; the shallow region called "potato patch." There is a channel being dredged, the NOAH maintains that channel to be about sixty feet. I assume for the boats coming into the bay, they would clear about sixty feet that would provide sufficient clearance.

Question: Commissioner Schmeltzer: what size would the footprint of the turbines that are on the shore be? I know you had an illustration of what is under the bridge, but what size are we talking about?

Answer: Dr. Hassard: we are working with a company called Turbo Genset, and they build units right now which are 150 kilowatts and 450 kilowatts. The 150-kilowatt system has a footprint 3'x3'x3'—these are small units?

Question: Commissioner Schmeltzer: for the whole building?

Answer: Dr. Hassard: that would be 150 kilowatts. But if you have megawatts, you are looking at seven of those so it would be two or three desks worth. It's not a huge footprint. It is very efficient because they are low temperature and therefore, relatively high technology and simple to build.

Question: Commissioner Schmeltzer: optimally, how far away from where the system is would that building be?

Answer: Dr. Hassard: one of the advantages of our system is that the energy is transmitted by air and in principle can go over kilometers. The optimum distance is close by because there are frictional losses over any distance, but we envision transmitting the air power over perhaps 200 meters maximum.

Question: Commissioner Schmeltzer: then how close to the grid?

Answer: Dr. Hassard: we need a grid connection, and various sites that we are looking at we would have to have that nearby. That is an extra cost, which we have not yet fully priced.

Question: Commissioner Schmeltzer: I know you said the Grimsby was just one unit and you weren't looking at maximizing power production. But is there some point at which—I assume the price on this is not linear and that there is some point at which you need a minimum number of units for this to be worthwhile?

Answer: Dr. Hassard: you get great economies of scale. We have done other costings at other places. For example, in Canada we would be looking at something like $1,000,000 per megawatt installed. As you get more and more installed, the prices go down because some of the capital costs like the installation costs are fixed. And the site surveys are fixed; the environmental impact studies are fixed. So definitely as you go to multiple megawatts, the price per megawatt is going down.

Question: Commissioner Schmeltzer: from a smaller number of units or under a megawatt. Is that sort of a minimal level you would need to make?

Answer: Dr. Hassard: it is actually the cost of the grid connection which dominates and so below a megawatt is hardly any point connecting to the grid. One of the things we are looking at however is having smaller sub-megawatt systems which have co-located hydrogen production. This is still in the future, but it is actually closer to us than most people realize.

Question: Commissioner Schmeltzer: you talked about how it was possible to do this on rivers or other water that is flowing in one direction. What is the size of something—I guess we are still talking about any diameter pipe. A river does not strike me as necessarily having the same. You have different characteristics. Here we are looking at something that moves faster at certain times, it slows down, it is not generating all of the time. A river you would be generating all of the time.

Answer: Dr. Neil: the fundamental principle is that you are creating from moving water—you are creating suction which is then exploited and actually transferring low grade kinetic energy into high grade kinetic energy which drives the turbine. That fundamental principle can be exploited either in a tidal race by putting a device which exploits movement backwards and forwards. But even in tidal, you can have tides that are very different in profile going in and going out. The Bay Area is quite unique in that the tide comes in and out from a single point and therefore can be captured at that point. But there are tidal races that we have looked at where the in-tide is some degrees off from the out-tide. There, you would have to deploy uni-directional tidal systems. The whole system is devised to really exploit moving water in one direction. Even the bi-directional system would be two uni-directional systems put back to back. That is probably the best way to think of it. So, it can be deployed in a river system. The way that it is exploited in Grimsby is similar to a run of a river system.

Question: Commissioner Schmeltzer: my point was not to really focus on rivers because I think the idea of putting more generation in a river in California is not what any of us are looking at. My question was more about if you are saying you just need moving water, and it almost seems like tides is not the optimal way to get that unless it is just the size of what's available in the tides and there are certainly lots of water systems in California that have water continuously moving through them in a single direction.

Answer: Dr. Cheng: I think there is a critical energy density. A certain amount of energy must be there to make it work. In other words, if water moves, you have a little venturi effect here, but it may not be cost effective. You need a certain amount of energy there. That's why I thought we can use a mathematical model to first assess what we build—first, where is the energy distribution? What is the up-most choice of locations that you propose to install the devices?

Answer: Dr. Hassard: you asked the question, how much energy in rivers? We looked at some rivers in Canada, and I agree with you, I don't think there are any rivers in California where you want to do it. But in Canada, there are plenty and we

looked at some installations in the Frasier River coming into Vancouver, and you get five to ten megawatts from some of the systems we were proposing there. As Dr. Neil said, these would be optimized for one direction.

Question: Commissioner Ammiano thanked the Department of the Environment and Commissioner Gonzalez for bringing this presentation to LAFCo's attention. I really do see that there really will be a significant role here in San Francisco in the energy future of the City. But, I do have several questions about how we proceed. We are limited in the locations that this power can be assessed by San Francisco, and I want to be sure that whatever we do, we pursue a tidal technology that will produce the greatest peak power yield with the fewest impacts. I have some questions for the Department. The technology that we are considering today, has that been certified by the environmental or engineering perspectives by the California Energy Commission or the U. S. Department of Energy? If not, what would be the process for such a review?

Answer: Mr. O'Donnell: I believe we have someone from the California Energy Commission in the audience today. We have been talking to them. I have shown them various technologies to look at. We have a request to do a workshop up there to present this to people. This is too new. It is only since the BC Hydro report of about October last year that there has been a clear statement of the technology, how it is modeled, what the generation potential would be. As to the Department of Energy, they are interested in looking over our shoulder, but in essence, and I don't mean this critically, they don't have anybody up to speed on evaluating these things. That is part of the model here. We invite the state and the nation to look over our shoulders as we go forward. It's very much a local model at this point if that works for us.

Question: Commissioner Ammiano: but it would eventually require some sort of certification?

Answer: Mr. O'Donnell: certification, yes. It would have to be permitted through FERC, through NOAH. And if they are not the permitting agency, they will be the commenting agency because they are all intrigued by this, and they all have the right to raise specific issues.

Question: Commissioner Schmeltzer: there are a lot of environmental groups that are active in hydro permitting for dams. I was wondering if we have gotten any feedback from them about this technology particularly with regard to fish?

Answer: Mr. O'Donnell: I have gone in and spoken to several groups. I don't really want to name names. The general trend is we like this in concept. We reserve the right to study the environmental impact reports before we really take a position one way or the other, but the fact that we are not burning anything intrigues everybody.

Question: Commissioner Ammiano: given that there is this range of potential tidal technologies on the market, how does the Department propose to deal with this in terms of engaging in a competitive process to review the various technologies that are out there now? And I am sure there will be more, and I am sure there will be many changes.

Answer: Mr. Blumenfeld: our goal is to create power with the least environmental impact. The specifics of the RFP that should go out would be focussed on (a) environmental impacts; and (b) efficiency, namely how much power can be generated. So, there are some pretty great concerns around the barrage system that has a big tidal head. There are significant issues around the blade systems, both in terms of the engineering and the impact on marine mammals. The reason we brought this technology to your attention today is the first one that came to our attention that didn't have those large environmental negatives. There may be other competing technologies that we haven't seen that would also make the cut.

Question: Commissioner Ammiano: in terms of the SFPUC, would it be the SFPUC or PG&E that would be in charge of the wheeling, the siding, the transmission, and the grid interconnection for tidal power? What are your proposals to involve the SFPUC in the technology review?

Answer: Mr. Blumenfeld: HydroVenturi and the Department of Environment had a meeting in Room 201 about a few months ago that Supervisor Gonzalez helped host. At that time, we brought in HydroVenturi to talk to Ed Smeloff, Fred Schwartz and others. In terms of how we eventually get into the grid—one of the challenging questions when we look at how to close down Hunter's Point is that most of the interconnection at the moment is in the southeast of the City. That has led to a continued problem of placing fossil-fuel-burning sites in a particular place. For me, it would be the ultimate reversal of environmental injustices if you could have a nice air turbine site right in Pacific Heights.

Question: Commissioner Ammiano: we might have co-generation. I know that as we move forward, we'll get more detailed answers to these questions because I really do think that this is a fantastic opportunity for the City. But, we are talking about the main goal being minimal environmental disruption and impact. What kind of assessment approach are you recommending to review the potential environmental issues? I think it would be useful to involve Save the Bay in such a review. They are very reputable and have been around a long time.

Answer: Mr. Blumenfeld: we have communicated to Save the Bay, Blue Water Network, and others. As we move forward, there are two legal processes. It is our impression that the land is actually owned by the federal government and the National Park Service. There would likely have to be a CEQA, a California Environmental Quality Act review, and a NEPA, a National Environmental Policy Act review. So, an EIR and a very thorough environmental impact that would take a lot of time. I think in the numbers that Dr. Neil presented a large portion of that

$4,000,000 probably more than half would go towards environmental impact reviews. We envision over the next two years the majority of time would be spent working with the community and engineers and environmental processes to determine whether this can fly. We are not going to be pushing something that has impacts that are unacceptable to the community, state, or other regulators.

Question: Commissioner Hall: thank you for your presentation—very informative and certainly sounds like an interesting concept for modern-day energy. What is the exact size of the modules that you think may be appropriate for our Bay out here? Just the one module?

Answer: Dr. Neil: I have to make it absolutely clear that the modules that we have produced for Grimsby is a very specific site and design. But, fundamentally, what we would be designing for deployment in the Bay would be very similar in size, if not in profile because the technology requires a venturi effect and there is a physical parameter that you respect. Depending on the type of design that we decide is most efficient and effective for the one megawatt system, I think you can safely assume that it is about twenty times bigger than the module you see on the pictures here, maybe twenty of those.

Question: Commissioner Hall: all I need is a ballpark figure. If you are talking about one megawatt, what will that give us in terms of power and in terms of reality, how many modules are we going to need to satisfy our needs and what size are those modules?

Answer: Dr. Hassard: the way to envision this is if you imagine a container in the back of a trailer tractor, two of those would be something like 200 kilowatts, so for one megawatt, you want ten such containers.

Question: Commissioner Hall: asked, so we would need ten containers about the size of a tractor-trailer.

Answer: Dr. Hassard: imagine those stacked up. You could stack them up like Lego.

Question: Commissioner Hall: you couldn't stack them because you would be encroaching.

Answer: Dr. Hassard: you could put them into a linear or parallel design.

Question: Commissioner Hall: so we are really looking at probably about 100 to 140 feet if you stacked them linear one after the other. Is that correct?

Answer: Dr. Hassard: that is right.

Question: Commissioner Hall asked is the technology based upon resting on the ocean floor or do you suspend it at different times?

Answer: Dr. Hassard: this would depend on the velocity profile and we are so excited by Dr. Cheng's work because he has clearly done a lot of work in studying that. You want to get the maximum velocity, and so we may have to depending on Dr. Cheng's assessment suspend it above the surface of the seafloor. In the cut, we're going through the Golden Gate for example, the water is quite fast down at the bottom because the bottom is scoured out. It would depend on the exact site, which you end up choosing. Right now I can't answer that question exactly.

Question: Commissioner Hall: I think you said there was the maximum velocity or suction which it takes to move the turbines. This is all based on suction?

Answer: Dr. Hassard: that is correct.

Question: Commissioner Hall: there is no moving parts of these modules? It is suction. So it would be sixty feet if there are areas under the bridge or around the bridge that are a hundred feet. Obviously for maximum performance, it would have to be suspended or could it be placed on the floor?

Answer: Dr. Hassard: I think the Golden Gate has been very helpful in people identifying the scale of the issue; however, it is very unlikely that we would be putting the first megawatt under the Golden Gate. In fact, I would be very much against it. We would find sites where the positioning of these units would be much simpler. I imagine we will find a site that is perhaps thirty or forty meters deep and install the one-megawatt pilot there.

Question: Commissioner Hall: somewhere in the Bay though?

Answer: Dr. Hassard: correct.

Question: Commissioner Hall: would that be resting on the floor preferably or suspended?

Answer: Dr. Hassard: my favorite choice would be on the floor because the marine engineering is so much simpler. We would put pilings into the seabed and then attach a platform onto which these units would sit and be attached very strongly.

Question: Commissioner Hall: so you would need an area that was at least 100 feet long to get any sufficient measure of energy that we could use?

Answer: Dr. Hassard: right.

Question: Commissioner Hall: over the top of this there is a screen or grid. Am I correct?

Answer: Dr. Hassard: in front and over.

Question: Commissioner Hall: you all know as well as I do that one of the things that is super important to aqua life is the ocean floor. I would want more knowledge of how this would affect the ocean floor and the flow of the aquamarine life, around, through, above, and on that screen. I like the idea, but I am posing questions that we are going to have to look at. I think it would have dramatic impact upon shrimp and different sea-life that spawn on the ocean floor. What type of material are these modules made of?

Answer: Dr. Neil: the construction today is just steel.

Question: Commissioner Hall: I hope it's not that aluminum. Are there are prototypes in existence now and where are they?

Answer: Dr. Neil: it is in a place called Grimsby in the east of England where the river Humbugh exits and into the North Sea.

Question: Commissioner Hall: how many do you have at that site?

Answer: Dr. Neil: we have one system operating there.

Question: Commissioner Hall: one system of how many modules?

Answer: Dr. Neil: one module.

Question: Commissioner Hall: I would like you to forward as much material as you can as we go along.

Answer: Dr. Hassard: we take the environmental issue as priority number one. I will address the plankton that Dr. Jones mentioned. This is the one area that does require research. Our feeling is that providing we are below about twenty meters, we are probably not going to have a problem because most of the plankton is in the sunlight. The plankton needs the light. So if we are in the dark, we probably will be okay. We are not going to take that for granted. When it comes to fish life, particularly salmon, all of the places that we are looking at, they care a great deal about salmon and that is how it should be. We have to make sure the salmon will go through. That is probably the most important driver for our design. We have to make sure the salmon get through without any damage to them. For that reason, as Dr. Neil said, we get rid of those nozzles, so there is no chance of the salmon bashing into the side of the venturi themselves.

Question: Commissioner Hall: it is not just the salmon I am concerned about, but the actual aquamarine life that breeds on the bed of the ocean. Now you would be talking about a half a dozen to a dozen of these modules eventually, and that would

take up quite a bit of the ocean floor, create quite a barrier that would at least be ten to fifteen feet high, I assume.

Answer: Drs. Neil and Hassard: more than that.

Question: Commissioner Hall: I would be curious to find out about the flow of the Bay because you are going to dramatically impact that flow. You are capturing the energy from that water.

Answer: Dr. Hassard: one of the people we have been talking to comes from BP, the oil company. He was citing evidence from oil rigs from the North Sea in England, and he says the old rigs are favored by sea life, they enjoy the structures, and they provide protection and homes for all sorts of the fish and shrimp life. We're not necessarily claiming that for our system, but it is at least a possibility that we can engineer it.

Question: Commissioner Hall: I am sure we have old fishing vessels on the bottom of the Bay that have never been pulled up. It is just a concern. If you could forward any material you come across relating to this.

Statement: Ms. Young: if there are questions that cannot be answered today and the information can be provided by the experts at a later time, we can in fact get that information, provide it to the LAFCo Commission and also post it on our website.

Question: Chairperson Commissioner Gonzalez: Dr. Neil and Dr. Hassard—Supervisor Hall asked you about Grimsby. You have a plan to install twenty modules in Iceland. When do you think that is going to happen?

Answer: Dr. Neil: we are in negotiations right now.

Answer: Dr. Hassard: in Iceland, you can only do it in the summer. We are hoping to get it done soon if not it is going to be next summer. It's either this summer or next summer depending on our funding profile.

Answer: Dr. Neil: we are also intending to deploy in Scotland almost the same thing. It has to be during the clement months, which means in the summer, I think.

Question: Commissioner Schmeltzer: going back to the fish, it sounds like there is not a whole lot of information available about how this might affect our endangered species fish in the bay, particularly the salmon. I believe under the California Endangered Species Act there are a few others. I know this will have to be evaluated in the EIR and EIS process, but what information do we already have that might be useful or what information would we have to find out in order to make those determinations?

Answer: Dr. Jones: yes there are endangered species in the Bay. The main point that I was bringing out was that different fish all react to what I call the bow wave differently and that needs to be addressed. I did not have an opportunity to do a complete and thorough research on that aspect of it. I am not too worried about the larger fish. I am more interested in the smaller juvenile fish, which would probably be of a greater concern. I guess it all depends on whether the modules are sitting on the bottom or if they are up off the bottom. There may be ways for the fish to pass that if they are able to detect this bow wave, then they will be able to avoid it.

Answer: Dr. Hassard: the danger to fish is the sudden change in pressure. We believe that the maximum pressure drop is such that it's within the salmon's range to deal with. Salmon rapidly do go from the depth to the surface very quickly. Other fish as Dr. Jones has pointed out, we don't know yet. We will need to do a study.

Answer: Dr. Neil: one of the things is that we are in a situation here where we don't have the answers because the technology is new and because fish species and fighter plankton are so regionally specific that we will not know the answer until you try a demonstration system or a pilot system in a given environment what the actual effect would be. One of the nice things about this system is that should it prove viable both environmentally and economically, it would be very easy to expand it rapidly and produce huge amounts of power. Should it prove detrimental, no one would necessarily be prone to giving away two or three million dollars. It's not an extraordinary amount to pay to investigate the possibility that they could be a massive contribution to our energy systems without significant environmental impact. Basically, until we try it, we won't know and the cost of trying it is pretty low.

Question: Commissioner Schmeltzer: from a permitting perspective if you can't show that you're not going to take endangered species, that can be a barrier.

Answer: Dr. Neil: absolutely, we understand that.

Public Comment Question and Answer Session

Question: Randy Hayes, Rainforest Action Network and Vice-President for the Commission on the Environment for the City of San Francisco: we are in a dangerous situation in terms of climate change and one-megawatt pilot. I understand how we need to assess data. The City should be looking at the various types of tide-power systems and have a one-megawatt project of each basic type so that we don't put all of our eggs into one basket and to help with the learning curve. As Supervisor Ammiano pointed out, we have our peak energy needs, but during off-peak it would be great to dedicate a high percentage of the power to make hydrogen. When you make hydrogen from water and possibly even sea water with green electrons, we can power MUNI and the City auto fleet and the local delivery companies as early adopters to prod along this hydrogen aspect of the energy equation as well. My last point is that I wasn't clear whether the City would be guaranteeing any energy purchase packages with such a pilot project?

Question: Mr. Jerry Grace, Oakland resident: he was surprised to hear the information about renewable tidal energy and commended everyone working on this project. The maps and information are not included here and should be to make people aware of what is going on. He recommended that television (NBC) be made aware of renewable tidal energy so it can be publicized more. There are a lot of fish, birds, ducks and oil in the water. I don't understand why the oil is in the water and why the ships going in and out of the Golden Gate Bridge cause oil all over the ground. This happens too many times. How would you make water clean?

Question: Tom Roberts: I want to start off with a comment or question about the tidal power being in phase with load. If we were in most cities, peak summer demand would be directly in phase with solar insulation. But tides since they change daily are not directly in sync with any evening or afternoon loads so I would ask the Department of the Environment if you are time averaging to say that the 80% of the energy being in phase with demand is partially because we don't have a huge peak summer demand by people running air conditioners in San Francisco. I hope that makes us ideal for this technology, but it is a limitation compared to solar in just one regard. I had a couple of questions about the technology itself and the video we say what looked like large vertical wings, but it looks like your technology is strictly a cross-sectional change. The Venturi is a cross-sectional change—there isn't any external wings causing the velocity change. Is that correct?

Question: Dr. Joseph Neil, CEO, HydroVenturi: the water has to be accelerated through the system. That's the fundamental way that it actually works. What we do is create that acceleration by putting first an obstruction and then giving it a place to go. By constricting the flow, it accelerates through the water.

Question: Mr. Roberts: he understands the Venturi principle. What I am asking is you showed us a cylindrical object with a cross-sectional change that causes the velocity change. The video seemed to show these large vertical wings. I just wanted to make sure there is nothing external.

Answer: Dr. Neil: it is very much the same. It is just a slight difference. That is in fact an early design, and we have many different designs to exploit the same fundamental principle.

Question: Mr. Roberts: are any animals or fish going through the throat of the Venturi or are you trying to screen them all out?

Answer: Dr. Neil: we grill off the system so that marine life cannot go through. The grill is designed so that the grill itself is smaller than the cross section of the spaces between the wings and therefore, anything that does get through will go through very quickly.

Question: Mr. Roberts: so something might go through the throat of the Venturi. What kind of speed is in the throat with the six-knot inlet? The final question was you are drawing air from the surface with the suction at the Venturi. Are you exhausting air underwater or is there a secondary water system that you had mentioned? If you are drawing air underwater, obviously with a pilot plant you are talking about a small volume of air. But if it's a large plant, you might have large concentrations of oxygen and nitrogen being induced locally, and I don't know what the effect on fish life would be with that effect.

Question: Kimia Mizany, Save the Bay: we have a few concerns, and we appreciate the fact that all of the environmental work has not been done to assess the impacts so you may have limited responses to some of these concerns that we have at this time. When you spoke of the depth of the mouth of the bay not being the optimal depth for this type of structure for tidal power, what specifically would be necessary to do to build the structure at that optimal sixty meters? Would this involve filling any part of the channel? If you could discuss what impact this tidal power structure as well as the induced suction force might have on sedimentation in the Bay, as increased sedimentation would contribute to increase turbidity, which would impair the water quality in the Bay?

Question: Timothy Blair, Earthsteward Technology and Synergy California: about changing siltation issues under the Golden Gate Bridge and I hope you can engineer for that. It depends upon what suspension the whole system is going to be above the seabed. I think this is a real exciting project and the foresight of the City to go forward is real important for that to happen that permits get approved to move this forward. At Romberg Center, the San Francisco State Marine Center on the Tiburon Peninsula, could be a perfect initial staging site to possibly do some of the research there. It's the old sub-net depot base or over by the Richmond ship channel are two possible places where you would have less impact in getting your infrastructure set up to start this project. The University would be a great place to teamwork. According to the charts, I saw the currents are very strong over at Romberg Center where a lot of the salmon are passing through all of the time. You don't have to respond to the written questions.

Statement: Commissioner Hall: this is one part of a series of different hearings relating to water energy. We are going to be talking about recycled water.

***Statement*:** Gloria L. Young, Executive Officer: SFLAFCo will have a series of public hearings. This was the first one on renewable tidal energy. Our next one and it was mentioned as a part of the Department of the Environment's presentations in terms of tidal power and it is strategically located to support the desalinization. Our next public hearing will be desalinization on March 28 at 2:00 p.m. April 11 will be recycled water and ground water. May 23 will be solar power and conservation and then we will be discussing the final report on Community Aggregation, AB117 on June 20th. All of those dates are listed on our website.

Question: Male speaker: having been born here, this is an idea whose time has come. I have been mentioning it to Jerry Brown about ten years ago. Living out at Ocean Beach, I have one engineering question. I heard that Supervisor Hall asked that this would probably be built out of stainless steel. My question to the engineer is and especially to the rest of you, because I know about the corrosive elements of the salt water—I have lived here all of my life and I am constantly scraping it off my house--have you considered something like ceramic material or something else that would be longer lasting and would not look ugly in twenty years with rust spots?

Question: Tom McDonough: my colleague Joel Kohn had to leave earlier and wanted me to make this statement. The wholesale price of natural gas has doubled over the past three months. Natural gas fuels or electric power plants—we are facing yet another energy crisis. It is imperative to adapt alternative energy; tidal energy is the brightest hope for powering San Francisco into the future. On my own part, I commend you at HydroVenturi for your taut work and research. This has vast implications on a global basis for producing clean and powerful energy. But this is the beginning. Our impulse must be socked from other sources to insure that San Francisco has the best system it can conceivably have in this present time period and bring those into the future.

Question: Andrew Bozeman: thank you for a marvelous idea. I am from the Hunter's Point area and I thank Supervisor Ammiano for your great idea of putting a power plant in Pacific Heights as opposed to Bayview Hunter's Point. Considering the predilection of sealife to begin building homes on anything that stands still at the bottom of the sea and you have this grid up that prevents them from going through, but is a great place to start building. My question is how long will it last before they clog it up and it becomes inefficient?

Answer: Jared Blumenfeld, Director, Department of the Environment: in terms of the power purchase, which is Commissioner Hayes' first question, I think the goal here is that this is the beginning. We are racing ahead in some ways and excited about it, but it is the very beginning of this new technology. We do need to start with a one-megawatt pilot. We do need to make sure that all the environmental aspects are in place. That all the marine life is safe. But at the same time, we need to give the same degree of scrutiny that we would to power plant that we know has human impacts on health and our environment. So when you look at, this has a huge number of benefits. We also need to do a lot of environmental due diligence. In terms of power purchase, that would be predicated on us becoming a community aggregator and the California Public Utilities Commission is coming out with rules on aggregation in July.

Answer: Mr. Blumenfeld: the next comment was on the MTC and we obviously need to work with all the stakeholders, the Golden Gate Bridge Authority that I know some of the members of the Board sit on; BCDC. There are going to be a huge number of people to work with. This was just an opportunity to highlight the technology and bring it to the public for the first time.

Answer: Mr. Blumenfeld: in terms of bringing oil under the Golden Gate Bridge. I think San Francisco and certainly from my environmental background the need to have double hull vessels going through critical navigation points is an important one, and so as a matter of policy, the U. S. Government is also on the record with that.

Answer: Peter O'Donnell, Senior Energy Specialist, Department of the Environment addressed the issue in terms of tidal phase with peak and the fact that San Francisco has two peaks. The 78 percent figure is really projected over one calendar year and that tidal energy ramps out, peaks, and drops down over about a six-hour cycle four times in a twenty-four hour cycle. So you look at that four peaks a day cycling through peak sometime between 6:00 a.m. and 6:00 p.m. and tidal power will provide energy in that window about 80 percent of the time. That's the simple answer—it is a hard question.

Question: Mr. Blumenfeld: I remember a study that BC Hydro did on fish kill as a result of the run of the river. Maybe somebody could talk about how many fish were killed in a yearlong study.

Answer: Mr. O'Donnell: the study I am familiar with is Blue Energy, Canada testing six in river trials of one month or less on a series of vertical access turbines and they tell me there was no fish kill, but I don't think that was a true environmental resource study.

Question: Mr. Blumenfeld: in terms of this particular system, the second question was feed in the throat.

Answer: Dr. Joseph Neil, CEO, HydroVenturi: we are fundamentally committed to protection of the environment. HydroVenturi's byline is power, not pollution. That is a fundamental parameter. We are very concerned to design and engineer the system to be minimally impacting in the environment in which it is deployed.

Answer: Dr. John Hassard, President, HydroVenturi: the six knot entrance feed would result in 24-knot, that is 48 meters per second water in the throat. We have a compression ratio of about 4-1, 5-1. In other words, the water speeds up by that same factor.

Question: Mr. Blumenfeld: in terms of exhausting the air. You suck the air in—where does it go?

Answer: Dr. Hassard: in one configuration for cleaning water of oil, we actually let the air into the primary circuit. In the power configuration, which is what we are proposing here, the air is re-circulated and does not end up in the water. We take that very seriously because that would be an environmental impact, which we wouldn't want and it would be a loss of power. We actually re-circulate the air into the system.

Answer: Mr. Blumenfeld: in terms of the save the bay question how to build a structure to sixty meters, my understanding is that from Ralph's presentation that there are a lot of areas in the bay that are sixty feet already.

Answer: Dr. Hassard: we do not have any intention of infilling any of these structures underneath the bridge or anywhere else. It would not be needed.

Question: Mr. Blumenfeld: what about the impact of the induction from the set of suction force impacting on sediment? The second question was siltation.

Answer: Dr. Neil: the fundamental thing here is that water is entering the system at normal velocity. It is then accelerated through the system and we clearly have to test what the overall impact of the system would be and nobody wants to assume that we are going to have minimal impact at the point where the device touches the bay. But, the fundamental truth is that the water really doesn't accelerate until it hits the system. It accelerates through the system and comes out the other side and then it is dissipated, so the energy is captured in the middle. We have to go back and look at exactly how this impacts sedimentation.

Question: Mr. Blumenfeld: Dr. Jones, we had a great model from Dr. Cheng on the tidal resource. Are there other models that can map sedimentation impacts so that you could run through this model and say this is how sediment will react? Do those exist?

Answer: Dr. Tony Jones, Director, Practical Ocean Energy Management Systems: not specific to the bay.

Answer: Dr. Neil: I think TRIM is the best software tool for this particular area by far.

Question: Mr. Blumenfeld: the next question was on permitting and the potential of different sites, Pt. Tiburon and Richmond ship channel. Mr. O'Donnell will address where a pilot can be done.

Answer: Mr. O'Donnell: a pilot by nature requires leadership from a community that is committed to doing this, and one megawatt would be rational next step. After that, one megawatt is done, then we might look at another site, Pt. San Pablo, Tiburon, Vallejo for the next phase, which might be 10 or 25 megawatts. Then you come back to another site maybe in San Francisco, certainly in the bay, for the next phase of installation. This will be a regional activity that will require a sharing of technology amongst communities and counties.

Question: Mr. Blumenfeld: the next question was about teamwork. I think a new technology like this will not go anywhere without working with governments, business, universities, the U. S. federal, state, and local governments. It will take

more than a village to get this to happen, but hopefully it will. Then there was a question about the materials, ceramics versus steel.

Answer: Dr. Hassard: the steel systems in the docking Grimsby have been around since Napoleonic times, which is 200 years ago. We take the corrosion very seriously however, and we are looking at coating such as polyurethane, which is pioneered by the U. S. Navy in the last few years as a potential cover. We have not looked at ceramics—it seems very expensive, but we are willing to do so if someone has information about advanced ceramic materials. Right now, steel is the best material for us and if we can get sixty years lifetime out of it, that is probably going to be a good return investment. But we are very happy to look at other possibilities.

Question: Mr. Blumenfeld: the final question came from Andrew which is relating to clogging. If you have these meshes to prevent animals getting in. I know that for instance that rather controversial Hydro Project Three Gorges Dam is already silting and clogging. Obviously, these things can't work if something is in the way of them. So how do you deal with that specific issue?

Answer: Dr. Hassard: there is some indication that the barnacles that could be most damaging to us would have to have a minimum water speed before they can settle. What we are really concerned about is clogging in the center of the hydroventuri. That is where the water is going fastest. We think we have a good chance there. Also, investigating coatings like polyurethane, which the U. S. Navy has developed for the boats. We would never use tributil or any tin-based system. The fact is this is going to be a site-specific issue and Dr. Jones pointed out there are certain forms of marine life which actually like fast water because they get more nutrients that way. We will have to assess this. I think one of the jobs for the one-megawatt demonstrator would be to make a study of this issue.

Answer: Dr. Neil: we actually have given some thought to this problem and have designed the possibility to remove the protective grill, put in a new grill and clean the old one, have a system that shifts up and down basically. That is part of the design.

4. Future Agenda Items.

   No discussion held.

5. Public Comment on Items not on the Agenda.

   No public comment.

6. Adjournment.

   The meeting of the San Francisco Local Agency Formation Commission adjourned at 4:32 p.m.

San Francisco Local Agency Formation Commission

Main Library
Government Documents Section

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

AGENDA

Note: Each item on the Consent or Regular agenda may include explanatory documents, including Executive Officer report and public correspondence. These items will be available for review at City Hall, Room 244, Reception Desk.

Special Meeting
Friday, March 14, 2003 at 2:00 p.m.
City Hall, Room 263

Chair: Commissioner Gonzalez; Vice-Chair: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate Members: Commissioners Peskin and Fellman

Clerk: Monica Fish

DOCUMENTS DEPT
MAR - 6 2003
SAN FRANCISCO
PUBLIC LIBRARY

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call.

2. Approval of Minutes for the Commission Meeting of February 14, 2003 (Discussion and Action Item).

3. Discussion on Information regarding Long Island Power Authority's Acquisition of the Long Island Light Company and Transition to Public Power.

4. Public hearing to discuss the proposed SF LAFCo 2003-2004 Fiscal Year Budget pursuant to Government Code Section 56381 (Discussion and Action Item).

5. Future Agenda Items.

6. Public Comment on Items not on the Agenda.

7. Adjournment.

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to LAFCo, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of LAFCo members. Any written comments should be sent to: Committee Clerk of LAFCo, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the Committee Clerk by that time may be taken directly to the hearing at the location above.

DISABILITY ACCESS

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142.

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Clerk of the Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7724, by fax at (415) 554-5784 or by email at Donna_Hall@ci.sf.ca.us.

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.ci.sf.ca.us/bdsupvrs/sunshine.htm.

San Francisco
Local Agency
Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT.

APR 1 2003

SAN FRANCISCO
PUBLIC LIBRARY

MINUTES

Special Meeting
Friday, March 14, 2003, 2:00 p.m.
City Hall, Room 263

Chairperson: Commissioner Gonzalez; Vice Chairperson: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call

   The meeting was called to order by Chairperson Commissioner Gonzalez at 2:07 p.m.

   Members Present: Chairperson Commissioner Gonzalez, Vice-Chairperson Commissioner McGoldrick; Commissioners Ammiano and Fellman.

   Members Absent: Commissioners Hall and Schmeltzer.

   Gloria L. Young, Executive Officer was noted as present.

2. Approval of Minutes for the Commission Meeting of February 14, 2003 (Discussion and Action Item).

   No public comment.

   The meeting minutes were unanimously approved with no objection.

3. Discussion on Information regarding Long Island Power Authority's Acquisition of the Long Island Light Company and Transition to Public Power.

   Chairperson Commissioner Gonzalez stated that legal counsel, Nancy Miller gathered additional information on this item because of a request from Commissioner Schmeltzer. Since Commissioner Schmeltzer and Ms. Miller were not present, Chairperson Commissioner Gonzalez suggested rescheduling the item.

   Gloria L. Young, Executive Officer stated this issue was first brought to the LAFCo by Chairperson Gonzalez to gather information on the performance of the Long Island Power Authority (LIPA) and whether there were opportunities of transfer of funds to the General Fund. New York state customers benefited from the LIPA acquisition and distribution of electricity because it resulted in lower rates. Commissioner Schmeltzer asked that additional information be provided on the actual process involved in the acquisition and distribution, which is before the Commission for discussion today.

   No Public Comment

   This item was Continued to the Call of the Chair.

4. Public hearing to discuss the proposed SF LAFCo 2003-2004 Fiscal Year Budget pursuant to Government Code Section 56381 (Discussion and Action Item).

   Ms. Young discussed the proposed 2003-2004 Fiscal year budget that is scheduled today and for subsequent adoption at a future meeting. Government Code Section 56381 requires that the LAFCo have two hearings with at least a twenty-one day notice to adopt the final budget. The budget reflects what the Commission approved in concept at the February 14, 2003 meeting, which included the first ten-percent reduction required by the Mayor's budget submittal. An additional ten percent contingency reduction was also identified. The budget before the Commission for adoption proposed reducing the original budget by $44,897 for a budget total of $404,070. The Cortese-Knox-Hertzberg bill states that the LAFCO has the ability to keep the budget at the same amount, but because of the budget crisis SFLAFCo was willing to take the first ten-percent cut and accept a ten-percent contingency cut. The majority of the cuts have been in professional services such as legal counsel and energy consultant reduction in rates. Our expectation is to not have legal counsel attend Commission meetings if it is not required.

   No public comment.

   The proposed budget was approved with no objection.

5. Future Agenda Items.

   Ms. Young discussed SFLAFCo's next public hearing of Friday, March 28, 2003 at 2:00 p.m. on desalinization. Currently four speakers have committed to speak: Poseidon Resources that is involved in a desalinization project in Huntington Beach; Jared Huffman, a Marin Municipal Water District member; the past City manager for Santa Barbara whose City did a project in 1992 that was completed but not activated; Ionics, the firm who supported Santa Barbara in that effort. Ms. Young has been working with Commissioner Fellman on questions to pose to the speakers in advance of the meeting and requested that Commissioners forward questions to her by Monday, March 17th. Speaker biographical information and presentations are being secured.

   No public comment.

6. Public Comment on Items not on the Agenda.

   Mr. Da Costa stated that he appreciated the SFLAFCo's last meeting on tidal energy, and that this body is doing everything in its power to address the energy issue because it really affects the southeast sector of the City. The sooner cleaner energy is brought into the grid, the sooner we can rid the City of the old aging and polluting plants in the southeast sector. This Commission has a sensitive responsibility to our children who are suffering from respiratory diseases and infants who are dying. The sooner we move forward the better it will be for the City and County of San Francisco.

7. Adjournment.

   The meeting of the San Francisco Local Agency Formation Commission adjourned at 2:15 p.m.

Meeting materials are available for inspection at the Clerk of the Board's Office, Room 244, City Hall.

San Francisco
Local Agency
Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT.

MAR 19 2003

SAN FRANCISCO
PUBLIC LIBRARY

AGENDA

Note: Each item on the Consent or Regular agenda may include explanatory documents, including Executive Officer report and public correspondence. These items will be available for review at City Hall, Room 244, Reception Desk.

Special Meeting
Friday, March 28, 2003 at 2:00 p.m.
City Hall, Legislative Chambers, Room 250

Chair: Commissioner Gonzalez; Vice-Chair: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate Members: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call.

2. Approval of Minutes for the Commission Public Hearing of February 28, 2003 and Meeting of March 14, 2003 (Discussion and Action Item).

3. San Francisco Local Agency Formation Commission (SFLAFCo) Public Hearing on Desalinization.

4. Future Agenda Items.

5. Public Comment on Items not on the Agenda.

6. Adjournment.

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to LAFCo, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of LAFCo members. Any written comments should be sent to: Committee Clerk of LAFCo, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the Committee Clerk by that time may be taken directly to the hearing at the location above.

DISABILITY ACCESS

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142.

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Clerk of the Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7724, by fax at (415) 554-5784 or by email at Donna_Hall@ci.sf.ca.us.

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.ci.sf.ca.us/bdsupvrs/sunshine.htm.

San Francisco
Local Agency
Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT.

APR 29 2003

SAN
PUBLIC

MINUTES

Special Meeting
Friday, March 28, 2003, 2:00 p.m.
City Hall, Room 250

Chairperson: Commissioner Gonzalez; Vice Chairperson: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call

   Chairperson Commissioner Gonzalez called the meeting to order at 2:08 p.m.

   Members Present: Chairperson Commissioner Gonzalez, Vice-Chairperson Commissioner McGoldrick (arrived at 3:25 p.m.), Commissioners Ammiano, Schmeltzer, and Fellman.

   Member Absent: Commissioner Hall

   Gloria L. Young, Executive Officer and Nancy Miller, Esquire were noted as present.

2. Approval of Minutes for the Commission Public Hearing of February 28, 2003 and Meeting of March 14, 2003 (Discussion and Action Item).

   The February 28 and March 14, 2003 meeting minutes were unanimously approved with no objection. No public comment.

3. San Francisco Local Agency Formation Commission (SFLAFCo) Public Hearing on Desalinization.

Gloria L. Young, Executive Officer introduced the speakers:

Sandra Tripp-Jones is the Vice President of Sentient Systems, an organization that provides consulting and training services to the public sector in the areas of strategic planning, organization development, and community involvement projects. She served as the City Administrator of Santa Barbara from 1993 and retired from the City of Santa Barbara in 2001. During her service with the City of Santa Barbara, she managed their desalination project.

Jared Huffman is a Board member from Marin Municipal Water District since 1994 and Board President in 1997 and 2002. He is also an attorney and project manager for Natural Resources Defense Council (NRDC) in San Francisco. He serves on behalf of fifteen environmental and fishing groups led by NRDC. He manages the San Joaquin River restoration project and is responsible for overall management and legal oversight for scientific studies.

Ark Pang, Vice President of Business and Development for Ionics has over twenty-five years of water and wastewater treatment experience with emphasis on membrane technology in the field of water purification and desalination. He is a native New Yorker and started his professional engineering career in the industrial corridor of New Jersey with the Dupont Chemical Company. He has led for Ionics the development of a number of world's showcase membrane treatment facilities.

Billy Owens, Vice President, Poseidon Resources Corporation is responsible for directing the development of the Huntington Beach Seawater Desalination project. Prior to joining Poseidon, Mr. Owens spent twenty-five years developing and closing U.S. and international independent electric power projects.

Commissioner Fellman facilitated the session. A list of elements and issues were distributed to the speakers to address and is available at the Clerk of the Board's Office, Room 244, City Hall.

Mr. Ark Pang showed a video tape of the desalination project that was installed in Santa Barbara in 1991 and 1992 by Ionics. A presentation was given discussing costs; seawater desalination design basics; the state-of-the-art large capacity seawater desalination "BOOT" Facility in Trinidad; and the future desalination design trend.

Ms. Sandra Tripp-Jones discussed the Santa Barbara desalination facility that was built in the 1991 and 1992 time period at which time she was the City Administrator and Project Manager. She has retired from the City of Santa Barbara, and if there are any follow-up questions about the Santa Barbara experience, City Administrator Jim Armstrong is willing to assist. A presentation was given about the facts

surrounding Santa Barbara's experience with the desalination project. Topics included the plant's production capacity; energy usage; actual production; ownership; water quality of desalinated water; timeline from the desalination feasibility study to potable water delivery; approach to selection of contractor; proposal evaluation criteria; why Santa Barbara chose desalination; costs; contract management between the City of Santa Barbara and Ionics; and a long-term water supply alternatives analysis completed in April of 1991.

Commissioner Fellman questioned whether the voters later approved using state water rather than desalination.

Ms. Tripp-Jones stated in June of 1991 the voters approved both state water and desalination as long-term water supply. So one of the determinations that led to being able to put the desalination project in storage was that with the advent of state water which comes every day whether you want it or not unless you happen to sell it and because the operating costs for desalination are relatively high while the capital costs are relatively low, the desalination is the better supply to bring online during periods of severe shortage.

Commissioner Fellman asked if the desalination plant was still seen as drought-proofing backup for the state water supply.

Ms. Tripp-Jones stated yes. It is part of the city's approved water supply program.

Commissioner Ammiano asked do you have a gray water program, e.g., water that is used and then recycled?

Ms. Tripp-Jones stated yes. It was about ten to twelve percent, 1700 acre feet approximately. Not great.

Commissioner Fellman stated I think the drought cycles are supposed to be every ten or eleven-years.

Ms. Tripp-Jones stated the critical drought analysis going back as far as records can be had, still projects that the city's current storage supplies plus ground water and reclaimed water will probably suffice until the kind of seventh year of when a drought period would hit.

Mr. Jared Huffman gave a presentation on the Marin Municipal Water District (MMWD) and it's experience with desalination. Topics included a description of MMWD; it's Integrated Water Resources Plan (IWRMP); current MMWD supply and demand for water and projected demand increase; utilizing the North Marin pipeline; projected 2015 scenario; possible solutions; supplemental supply options; developments since 1992; factors favoring desalination; the desalination process including its potential, pitfalls, and challenges; and MMWD's critical path.

Commissioner Ammiano asked what some of the inappropriate applications would be for desalination.

Mr. Huffman stated that he would be concerned if desalination was proposed for a community that had not exhausted reasonable conservation and recyclying alternatives. You don't want to resort to big capital projects like desalination before soft-path options have been pursued. One could also get concerned looking at some of the Central Coast communities that have been off limits for development because of the care and capacity that the water supply presented. The marine sanctuaries along those areas, and people will have to be careful about the growth inducing impacts of siting a desalinization plant in those types of locations.

Commissioner Ammiano asked if there is any municipalization of the desalination in the examples that were mentioned. Or is it all public private?

Mr. Huffman stated it varies, and that Mr. Owens may be able to speak to it better. Marin's intent would be to own its desalination plant. We would never want a private company operating or owning it. There are lots of different options where you can partner with private companies to get the plant up and going. The Tampa plant has switched over to public ownership.

Commissioner Ammiano asked in terms of the expertise in running it on a day to day basis, are there workers trained? Do you have to recruit and find workers?

Mr. Huffman stated I assume that is right.

Ms. Sandra Tripp-Jones stated that when the City of Santa Barbara decided to take over ownership of the plant, they also transferred training to City employees who are currently waste-water plant operators and operate the reclaimed water facilities as well. It was a matter of training and setting appropriate standards for training. They did consolidate.

Mr. Pang stated there's a wealth of brackish water desalination which is basically the same technology that is used widely throughout the states. Those operators are readily available and trained. The majority of municipal plants in the state are not primarily owned by the municipality, or what's becoming popular is design-build.

Mr. Huffman stated we're often asked why desalinate from San Francisco Bay? Why not go to the ocean side of Marin County? San Francisco will have similar considerations if they pursue desalination seriously. We see several advantages to the bay side of Marin. First of all, the water is warmer. That makes it able to go through the reverse osmosis process with less energy. It's also less saline and brackish which again makes it easier and more efficient to desalinate. The down side is it's more turbid and has more solids that have to be removed in the pre-treatment process. There are pros and cons. The big pro for Marin was that

location was very close to our delivery system, so we didn't have to build a big pipe taking it into the heart of the water delivery system.

Commissioner Ammiano stated even with wastewater, the bay even though it is turbid is less brackish than saline.

Mr. Huffman stated the bay would be much less saline than the ocean. Brackish is normally associated with ground water, the intrusion of salt.

Commissioner Ammiano asked, you were mentioning the electricity and the amount of kilowatts needed, has anyone thought of using solar in conjunction to power with desalination?

Mr. Huffman stated we are looking very seriously at that. We actually think there are exciting opportunities on the energy front. When you look at the kilowatt hours required to produce an acre foot of desalination, you have to remember that one of the real benefits of desalination is that you can turn it on and off. Don't always assume that the desalination plant will be operating at full capacity. In fact, you might be able to idle it and use a much lower energy consuming source when it is available. We will be able to do that with our reservoirs, which will consume much less energy. We are also looking at solar. We are looking at the possibility of going out onto the energy market in the state of California and buying a block of green renewable energy to power the entire desalination plant. Not only making sure that we're not creating a global warming problem, but helping drive a market towards renewable energy.

Commissioner Fellman asked is MMWD planning on building a large-scale desalination plant right now?

Mr. Huffman stated Marin is in the process of seriously investigating. The majority of our Board has identified it right now as the preferred alternative for a supplemental supply. Barring some big flaw in their investigation of desalination in the next couple of years, we will be doing it.

Commissioner Fellman asked will it be as large as Santa Barbara's?

Mr. Huffman stated it will be about the same size. It will be up to about ten million gallons a day. The size of that is driven by the capacity to blend the discharge with that wastewater out fall that I mentioned. Beyond ten million gallons a day, we see more environmental impacts from that discharge. It also happens to coincide with providing enough water to meet current demand projections for the existing City and Countywide plans. It is nice to be able to say that it is only designed to meet existing approved demand and will not be fueling new demand.

Commissioner Fellman asked would you have an accelerated timeline for construction like Santa Barbara—you have about a five-year timeline here?

Mr. Huffman stated Santa Barbara had fear because of a critical drought that enabled them to do that amazing "two-minute mile." We hope to not have that sort of necessity.

Mr. Billy Owens gave a presentation on the benefits of desalination. Poseidon Resources is a private company that specializes in developing and financing water projects with focus on seawater desalination and membrane water treatment and reuse. They have done a desalination plant in Tampa Bay that is officially fully capacity operational May 1 of this year and are pursuing two plants in California. Topics discussed included benefits of seawater desalination; major desalination plants worldwide; large membrane reverse osmosis plants; state-of-the art treatment; reliability; costs; water quality; environmental issues; co-location opportunities; California water system; Poseidon Resources Corporation and desalination plant; the Ocean as a renewable resource; Tampa Bay desalination plant; and plant and technology treatment process schematic.

Commissioner Ammiano stated that he was captivated by the idea of a regional approach because we don't do a lot of that in this area except around transportation, so that may have some promise.

Ms. Young stated that Dr. Ralph Cheng, a Senior Research Hydrologist for the United States Geological Survey a speaker at the February 28, 2003 tidal energy hearing made a nexus between desalination and tidal energy. Ms. Young had spoken to Mr. Ark Pang about whether there is a relationship.

Mr. Pang stated he knows that tidal energy is an alternative source of energy. The areas that he has been involved in looking at using tidal effect are in areas where the tide deference in the course of a day is quite high. We were looking at one potential prospect for a developer in the Sea of Cortez in the upper reaches of Baja to build dams, to actually capture the tide, and to run off that water to actually generate power or to run the desalt plants. There are environmental aspects of looking at that. Outside of that, he has not been that familiar with tidal energy.

Mr. Peter O'Donnell, Senior Energy Specialist, Department of the Environment is a renewable energy project manager for a wide variety of projects that they hope to build in San Francisco over the next ten years. He would like to offer to bring in the Hydro-Venturi team for Marin County. He knows where there is 100 megawatts of clean renewable power at the tip of Point Tiburon, where the old submarine base was and where it runs a good 120 feet deep and where you can leverage the outflow of the Sacramento River. Along the coast of Florida, we know if they look at the infrastructure in the Florida Keys and along the East Coast of Florida and if we leverage some of the bridges with the Hydro-Venturi technology and or other second generation replacement technology, we could make 20 or 30 megawatts per site with the flow of the current through these underwater wing apparatuses with onshore air turbines. Then you can leverage the outflow when you pump your brine.

He would encourage you to expand your model for the poor struggling municipalities, states, and soon to be federal governments so that when you approach us with one of these projects, you include a renewable energy option be it solar, hybrid with wind, hybrid with tidal because we can bond and we can eventually acquire. But, we're not allowed to build out systems because we don't have that expertise. If you give us a turnkey complete 360 system including the power and the water, we're in a very good position to go forward.

Commissioner Fellman stated it is worth emphasizing what Mr. Huffman stated regarding the purchase of a block of green power. The LAFCo is doing a study regarding community aggregation which would be under AB117 and would allow San Francisco to become its own power procurer. That would be another vehicle to have renewable, not just on the site, but providing power to the site. We are in the information-gathering stage. As a LAFCo we will discuss what direction we want to take on this and also discuss it with the Hetch-Hetchy department as they have the authority over the water as it comes into the City and County of San Francisco.

Commissioner Schmeltzer stated there was a mention of ongoing economic benefits that you were going to be able to speak about with regard to desalination plants.

Mr. Owen stated he doesn't have as much detail as he would like. The essence of it is that when you are pulling your local supplies in the immediate neighborhood, you are able to concentrate those efforts. He doesn't recall any additional press releases from Tampa talking about the synergies there.

Mr. Huffman stated there was a link on Poseidon's website about Tampa Bay that refers to $100 million dollars that went back into the Tampa Bay regional economy.

Mr. Owens stated I thought it was an increment above that. That value is associated with the indirect benefits of construction costs both drawing the equipment locally, labor, and other things. It is your typical benefits of a construction cycle. There are added benefits locally. Partly because the geology in Florida doesn't allow you to have the flexibility we have had here in the West, reservoirs and other things, almost everything has to be pumped in or pulled directly out of the ground. So desalination fits the profile they have in Florida and as a result keeps the services and everything else more local than they have had in the past.

Ms. Sandra Tripp-Jones stated that desalination is part of an overall water supply portfolio and looked at as the drought supply or the backup supply or the safety margin that allows the operation of other storage-based lower cost supplies to be drafted at a higher level than a safe-field level. That is a benefit to your rate payers because they are able to use the cheaper water to a higher degree and bring desalination online when there are periods of extreme shortage.

Mr. Jones stated that Mother Nature is your source of largely recharging your ground water basins and your surface water. The second form of that is obviously recycling which would take ten to fifteen years. It takes time for that to happen especially when you go through a drought period that extends the normal average. One of the advantages of a continuous supply when you choose to use it is that in those dry years, you can take the time to allow the system to refill or recharge or even take an extra year to do so. There are economic benefits, otherwise people start paying extraordinary prices for other measures. In addition to other water which would be fine if you have your local supplies, you can do better.

Public Comment

Mr. O'Donnell stated I am intrigued by the brine and what you may find in it. I am sure you are looking at that. For example, we have many old gold mines here. When gold was $35 an ounce, it didn't make sense to recycle the tailings. Now it does at $300 an ounce. I wonder if you are finding hard minerals or anything as you look at that brine and any other uses for it, industrial uses or anything of that nature?

Mr. Pang stated there is in brines, particularly seawater brines, trace metals that have value. For instance, Japan has developed specific filters to track selenium from brine for semiconductors. There are other things like boron and magnesium that are in brine that you can possibly draw out. For instance, the Dead Sea is the main source of Israeli income for drawing out magnesium and other specific salts or trace metals. There is the potential there, but it hasn't been exploited yet.

Mr. O'Donnell asked I imagine the size of the system would be quite large for that to be worthwhile?

Mr. Jones stated there is value there, but the capital you would have to invest to extract enough to at least make it commercially valuable is significant. But there are aspects that you can use that you can put back that would help the water systems as well as operational characteristics. We are personally looking at that to the extent there are beneficial uses in the immediate area. We are hardly going to go out and start extracting selenium or gold or other things that are there for commercial purposes. If we find that value, we would contract that to somebody else to handle. But, we are investigating.

Mr. Pang stated we are not that familiar in the U.S. with solar evaporation of sea salt. Sea salt is a high cost commodity in the gourmet shops. We have two or three of our installations around the world, particularly in the Middle East that our brine is going into conventional solar ponds for generating sea salt. It is a way of utilizing that brine and getting a product from it, then eventually what comes off is evaporated water.

Mr. Michael Carlin, Planning Director, San Francisco Public Utilities Commission stated I wanted to reinforce some of the things that the panel members said. We are

looking at developing a water supply portfolio, and desalination is part of what we are looking at. We have to take into consideration that we don't supply water just to the people of San Francisco. We have 1.7 million people outside of San Francisco that are also customers of ours. We have actually teamed up and partnered with two other water utilities, the Santa Clara Valley Water District and the East Bay MUD Utility District to actually begin the feasibility analysis of desalination in the Bay Area between our three respective agencies. It has certain advantages—1) it is regional—we don't have to locate the plant in our territory, it can be in somebody else's territory; 2) we are interconnecting our water systems already. We are starting to put in inner ties between our systems so in times of emergencies or droughts, we can actually transfer water back and forth. We have one with Santa Clara. We are building one with East Bay MUD; 3) it broadens our portfolio of water supplies. We have imported water. We have local water; we have potable ground water that we can use and we are also going to be developing recycled water. So it leads towards long-term sustainability. All of these things are important to us.

We are starting off in a high level feasibility analysis of what we can do in the Bay Area. I am pleased that the Marin Municipal Water District is here giving you an idea of their plans, and Poseidon is actually bidding on the work. We very much have this as something that is in our options portfolio. We are exploring it. As we move along, we would be glad to come back and tell this Commission anything that we have uncovered and bring back our partners as to what they have been doing as well.

Chairperson Commissioner Gonzalez asked the speakers to discuss what actually is done with the brine.

Ms. Sandra Tripp-Jones stated that in Santa Barbara the brine is released back to the ocean as a mixture with waste-water effluent. By mixing it with waste-water effluent it brings it back to the consistency of seawater, and it also affects the same area of the ocean already affected by wastewater effluent.

Chairperson Commissioner Gonzalez asked has there been environmental opposition to doing that?

Ms. Sandra Tripp-Jones stated not specifically. The EIR itself looked at those impacts along with others. The analysis that was done most closely with the Regional Water Quality Control Board that has to issue discharge permits and revise the waste-water treatment plant discharge permit found again that the area of effect was the same as the waste-water discharge, and there was in the specific case of making the salinity closer to that of seawater a benefit.

Mr. Huffman stated that in 1991 Marin Municipal did a pilot plant and experimented with blending brine from that plant with the wastewater out fall. We did an extensive bio-asset test at the site of the out-fall. We picked several target species and we studied them very closely with the Department of Fish and Game with the San

Francisco Estuary Institute and we found no impacts at all. If anything, our study suggested a possible net improvement of that environmental impact. That won't always be the case, and I alluded in my presentation to looking at this on a case by case basis. So to the extent that San Francisco and others in the region are looking at big regional plants, I think I would caution that with the large power plants, there will certainly be opportunities where a desalination intake and out fall can fit within the environmental footprint of an existing power plant. I would look carefully about whether the footprint of that power plant is something that you may be wanting to reduce down the road. Because there may be situations where adding a desalination project can perpetuate a footprint that you might have opportunities to improve. For example, lots of large power plants have very inefficient ones through cooling. So you are dealing with existing impacts of major intakes that entrain and impinge marine life in some cases. It may be in the future that you may be able to move them to a more efficient cooling system to reduce that footprint.

Mr. Pang stated I agree with your earlier comment that there is a size of a plant where the brine discharges that is something that can be handled, 10 mgd, and 5 mgd. We have a number of plants like this as in Santa Barbara--putting the waste and blending it into the sewage line which in essence you are putting in potable salinity quality water, 500, 300 PPM water into the sea which has its own environmental impact. Here you are mixing it with brine to bring that salinity up so there is some positive impact in doing that. We have a number of cases like this. There is a benefit also in siting at a power station. At Diablo Canyon Nuclear Power Station and that's a very small flow, that's like one and a half million gallons of water a day, we are taking water from its intake system and discharging our brine into their discharge system. It's a small flow. Regional plants and we have seen this also not only in the states all over the world, sizable power stations, those don't have to be too large, their inlet flow to cool the condensers in a power station would be a significant flow. So, even with a 20 or 30 or more million gallons a day plant, the amount of brine you are discharging into their discharge stream may only be a few percent of the actual flow that is being acquired. So it sort of gets diluted, and the salinity does not have a major impact and thus has to be evaluated. The concern we often have is how long will that power station be sited there? Especially if you are going to put a desalination plant into a power station that is twenty or twenty-five years old or reaching its life. When you design that desalination plant, you are designing it around the infrastructure of that power station, its intake system, its environmental discharge permits. That has to be taken into consideration. The other consideration that has to be taken is that these power stations in cases have to come down for maintenance. What do you do during that period? Do you shut down your desalination plant? Of course your whole design parameter changes

when you operate that plant. So those are the kinds of things that you have to look at.

Ms. Sylvia Johnson spoke during public comment.

Presentations are available at the Clerk of the Board's Office, Room 244, City Hall.

4. Future Agenda Items.

   Ms. Young stated the LAFCo's next public hearing will be on April 25 to discuss recycled and ground water. On June 20, the energy consultant will issue their report on community aggregation.

5. Public Comment on Items not on the Agenda.

   No public comment.

6. Adjournment.

   The meeting of the San Francisco Local Agency Formation Commission adjourned at 4:08 p.m.

San Francisco
Local Agency
Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT
APR - 7 2003
SAN FRANCISCO
PUBLIC LIBRARY

AGENDA

Note: Each item on the Consent or Regular agenda may include explanatory documents, including Executive Officer report and public correspondence. These items will be available for review at City Hall, Room 244, Reception Desk.

Special Meeting
Friday, April 25, 2003 at 2:00 p.m.
City Hall, Legislative Chambers, Room 250

Chair: Commissioner Gonzalez; Vice-Chair: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate Members: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call.

2. Approval of Minutes for the Commission Public Hearing of March 28, 2003 (Discussion and Action Item).

3. Public hearing to discuss the proposed SF LAFCo 2003-2004 Fiscal Year Budget pursuant to Government Code Section 56381 (Discussion and Action Item).

4. San Francisco Local Agency Formation Commission (SFLAFCo) Public Hearing on Recycled and Ground Water.

5. Future Agenda Items.

6. Public Comment on Items not on the Agenda.

7. Adjournment.

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to LAFCo, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of LAFCo members. Any written comments should be sent to: Committee Clerk of LAFCo, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the Committee Clerk by that time may be taken directly to the hearing at the location above.

DISABILITY ACCESS

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142.

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Clerk of the Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7724, by fax at (415) 554-5784 or by email at Donna_Hall@ci.sf.ca.us.

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.ci.sf.ca.us/bdsupvrs/sunshine.htm.

Posted: April 7, 2003

San Francisco
Local Agency
Formation Commission

5/03

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT.

APR 14 2003

SAN FRANCISCO
PUBLIC LIBRARY

REVISED AGENDA

Note: Each item on the Consent or Regular agenda may include explanatory documents, including Executive Officer report and public correspondence. These items will be available for review at City Hall, Room 244, Reception Desk.

Special Meeting
Friday, April 25, 2003 at 2:00 p.m.
City Hall, Legislative Chambers, Room 250

Chair: Commissioner Gonzalez; Vice-Chair: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate Members: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call.

2. Approval of Minutes for the Commission Public Hearing of March 28, 2003 (Discussion and Action Item).

3. Public hearing to discuss the proposed SF LAFCo 2003-2004 Fiscal Year Budget pursuant to Government Code Section 56381 (Discussion and Action Item).

4. SF LAFCO Discussion and Action Regarding the Possibility of Suspending the Activities of SF LAFCO.

5. San Francisco Local Agency Formation Commission (SFLAFCo) Public Hearing on Recycled and Ground Water.

6. Future Agenda Items.

7. Public Comment on Items not on the Agenda.

8. Adjournment.

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to LAFCo, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of LAFCo members. Any written comments should be sent to: Committee Clerk of LAFCo, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the Committee Clerk by that time may be taken directly to the hearing at the location above.

DISABILITY ACCESS

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142.

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Clerk of the Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7724, by fax at (415) 554-5784 or by email at Donna_Hall@ci.sf.ca.us.

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.ci.sf.ca.us/bdsupvrs/sunshine.htm.

Posted: April 14, 2003

San Francisco
Local Agency
Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT

MAY 29 2003

SAN FRANCISCO
PUBLIC LIBRARY

MINUTES

Special Meeting
Friday, April 25, 2003, 2:00 p.m.
City Hall, Room 250

Chairperson: Commissioner Gonzalez; Vice Chairperson: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call

   Vice Chairperson Commissioner McGoldrick called the meeting to order at 2:16 p.m.

   Members Present: Chairperson Commissioner Gonzalez, Vice-Chairperson Commissioner McGoldrick, Commissioners Ammiano, Hall, and Fellman.

   Member Absent: Commissioner Schmeltzer

   Gloria L. Young, Executive Officer and Nancy Miller, Esquire were noted as present.

2. Approval of Minutes for the Commission Public Hearing of March 28, 2003 (Discussion and Action Item).

   Commissioner Hall moved to approve the March 28, 2003 meeting minutes. The minutes were unanimously approved with no objection. No public comment.

3. Public hearing to discuss the proposed SF LAFCo 2003-2004 Fiscal Year Budget pursuant to Government Code Section 56381 (Discussion and Action Item).

   Ms. Young stated that this is the final budget approval. The Commission in March approved a ten percent proposed reduction leaving an annual budget of $404,070 and an additional ten percent contingency that would bring the budget to $363,663. Staff recommended approval of the budget that is before the Commission.

   No public comment.

   Commissioner Hall moved to approve the SF LAFCo 2003-2004 Fiscal Year Budget. The budget was unanimously approved with no objection.

4. SF LAFCO Discussion and Action Regarding the Possibility of Suspending the Activities of SF LAFCO.

   Chairperson Commissioner Gonzalez moved to continue this item to the May 23, 2003 meeting. No public comment. Continuation unanimously approved with no objection.

5. San Francisco Local Agency Formation Commission (SFLAFCo) Public Hearing on Recycled and Ground Water.

   Commissioner Hall stated that this was an important meeting regarding the recycled and ground water program in San Francisco. He discussed the declining water levels in Lake Merced and his campaign to increase water levels and reported that water levels are up two feet because of various measures. This issue and many other aspects of the ground water and recycled water program in San Francisco were discussed. The speakers were introduced as follows.

   In attendance were: Linda Hunter representing the Neighborhood Parks Council; Kathleen Pilat, a hydrologist, representing the Neighborhood Parks Council who was instrumental in creating a report called "Leaving a Lake Legacy" for the Neighborhood Parks Council; Lori Steere from the East Bay Municipal Utility District (EBMUD) Water Recycling Project. City and County of San Francisco speakers Michael Carlin, Director of Planning, San Francisco Public Utilities Commission (SFPUC); Josh Milstein, Deputy City Attorney for the SFPUC, an expert on historic water uses, ground and recycled water; and Greg Bartow, a hydrologist with the SFPUC.

   Michael Carlin, Director of Planning, SFPUC, made a presentation on recycled and ground water in San Francisco. The PowerPoint presentation is on file at the Clerk of the Board's Office, Room 244. This is an important issue for the City and the San Francisco Public Utilities Commission under whose stewardship recycled and ground water resources within San Francisco will be developed. SFPUC has hired their own in-house expertise, Mr. Greg Bartow, who will allow them to move

forward on SFPUC's ground water program. When the voters passed Proposition A last November within the local projects portion, there were monies for recycled water, and the SFPUC is trying to get that program off the ground. Lori Steere is here representing East Bay MUD who has a successful water recycling program where they have implemented for both industrial and landscape use within their service area. They are unique because their service area is quite large. EBMUD is a retail water supplier, and their presentation will give you a perspective of what they faced and what they are planning on in the future.

Commissioner Hall introduced Mr. John Plummer and Mr. David Dowdee, an independent hydrologist who were helpful in steering the City in the right direction a couple of years ago leading to the eventual cure of Lake Merced.

Linda Hunter, representing the Neighborhood Parks Council stated that the Neighborhood Parks Council is a coalition of park groups in San Francisco. There are 227 park and recreation facilities, and they have friends of groups in about a hundred of those including the Friends of Lake Merced, Friends of Pine Lake, and Friends of Mountain Lake. Kathleen Pilat, a hydrologist, was hired by the Neighborhood Parks Council and completed a study entitled "Leaving a Lake Legacy, San Francisco Lakes in Peril." This report assessed the health and well-being of the city's three remaining fresh-water lakes in San Francisco, Mountain Lake, Pine Lake, and Lake Merced. Recommendations were made on how San Francisco citizens can preserve their lakes and water and to introduce legislation about recycled water.

Vice-Chairperson McGoldrick asked if our rainwater drainage mixes with our sewer water.

Ms. Hunter stated that it does. The rainwater that falls into the street and the pavement that actually gets dirty because cars are parked on the street all goes into the sewer. But the rainwater that falls on your roof is clean water, goes down into the sewer, and is thrown away.

Vice-Chairperson McGoldrick stated some areas of the world have separate systems for different levels of wastewater such as the gray water and the cleaner kind of runoff water.

Ms. Hunter stated that she believes that in the newer developments such as the Waterfront development, they are separating those systems. You are talking about a pretty big project to reconfigure San Francisco, although allowing homeowners to disconnect their rain spouts and have the water go directly into the ground could address that issue.

Kathleen Pilat, Hydrologist, Neighborhood Parks Council made a presentation on the report she produced for the Neighborhood Parks Council entitled "Leaving a Lake Legacy, San Francisco Lakes in Peril" that is about the preservation of the

three San Francisco lakes, Mountain Lake, Pine Lake, and Lake Merced. The Powerpoint presentation is available at the Clerk of the Board's Office, Room 244. She summarized the report/project and how it connects with the issue of recycled water. A discussion was held about falling lake levels in Pine Lake and Lake Merced, recycled water, ground water, and the importance of public involvement in the water resources management process.

Commissioner Hall asked when Ms. Pilat was commissioned to work on this report.

Ms. Pilat stated about a year and a half ago.

Commissioner Hall asked Ms. Pilat if she was aware of the changes that have happened specifically in Lake Merced in the last year and that the water level is up.

Ms. Pilat stated it is up, but it is not finished and fixed.

Commissioner Hall stated it would not be finished and fixed for a number of years. Experts were in attendance to comment on the lake levels and especially the conjunctive use agreements, which Mr. Milstein can advise Ms. Pilat what has been happening in the last year. Lake Merced needs seven to eight feet of water level increase if possible. The water level has been up two feet or a little bit above in the last year or so. He stated that we are ahead of our projections, but would like everyone to hear why, what is happening, what the City is doing, and then dovetail that into recycled water.

Mr. Carlin made a presentation on recycled and ground water discussing issues such as the water supply outlook; water recycling in the Bay Area and San Francisco including goals, history, Proposition A, strategies to optimize water recycling, markets, and public involvement.

Commissioner Hall asked about the reference to the piping that is already in and if it is used at present or laying dormant and ready for a recycled program.

Mr. Carlin stated it is in laying dormant and sitting there ready for recycled water. In some cases, such as Mission Bay, when they have sufficient numbers of the pipes actually in place, we will actually charge it with potable water and then when recycled water becomes available, we will cut off the potable water.

Commissioner Hall asked for an outline of the plants or the facilities, Golden Gate Park, the Zoo, Mission Bay and where that piping exists.

Mr. Carlin stated it is actually at Harding Park. We are actually working now for another facility outside of San Francisco, at Sharpe Park in Pacifica. We are trying to partner with the Sanitation District and the Water District there to get recycled water to Sharpe Park. It is still a San Francisco facility. We are looking at Lincoln Park. There is some other existing infrastructure in place we could utilize to make

this work. There are some pipelines that were laid as part of the sewer project that basically we could use.

Commissioner Fellman asked to address the ballpark costs of doing recycled water and how it compares to our current costs of water treatment.

Mr. Carlin stated he will give the costs in acre-feet which one acre-foot is about 325,000 gallons. Today, in San Francisco, an acre-foot of your drinking water delivery costs about $500. We are looking at recycled water costs probably around $1000, maybe $1200 an acre foot. That might sound like a lot but with inflation and over time, drinking water is going to cost more. If the technology works out correctly, if we get more into the project and scope it, we can probably drop the costs so it will merge at some point in time. We are not looking at this just for today. We are looking at what the costs might be two decades from now. We've actually projected to the year 2015 what the drinking water costs would be, and it would be around $1000 an acre foot once we implement all the projects in Proposition A.

Commissioner Fellman asked if there are intangible benefits with recycled water such as the Neighborhood Parks Council study and restoration of the natural lakes that is being looked at.

Mr. Carlin stated there are those other indirect benefits that they will try to capture. It is the environmental enhancement benefits, banked water benefits of not using that high-quality water for those purposes. There are a number of benefits that can be quantified as we go through this process.

Lori Steere, Community Affairs Representative, East Bay Municipal District (EBMUD), gave a presentation on EBMUD's recycled water program. A discussion was held about recycled water: the big picture, safety, uses and benefits; EBMUD's commitment to recycled water; land use planning and recycled water link; and EBMUD's existing and proposed recycled water projects.

Commissioner Hall asked Ms. Steere to discuss from her point of view the difference of San Francisco being a retailer and wholesaler as it compares with EBMUD's operation.

Ms. Steere stated that as a retailer you could certainly go forward with developing a recycled water program to serve the City and County of San Francisco. That should be relatively easy because you control the infrastructure and the source through your treatment plant. As a wholesaler you have less direct control over what the customers in your overall service area do. It seems that Senate Bill 2095 might provide some opportunity for you to raise this issue with your suburban customers should they be enacting dual plumbing ordinances so that the issue of using recycled water is raised on their radar screen. Obviously government does not want to be requiring things to be done if it is not possible to meet those requirements and that is what gives government a bad name among other things. The opportunity to

put recycled water to beneficial use in a community ought to be pursued. Cities and counties that do the planning need to take a look at who some of the local recycled water producers are that could help put recycled water into the community. Having a dual plumbing ordinance in place raises the profile, not only with the planning agency, but with the public.

Commissioner Hall stated that Mr. Carlin just went over the west-side basin, the aquifer etc. being a potable source of water. San Francisco uses about eighty million gallons of water per day considered potable. About four million of that eighty million is well drawn, possibly non-potable.

Mr. Carlin stated that is correct. It is non-potable because it is not disinfected and does not go into our drinking water system. We import about eighty million gallons of water into the city from 167-miles away.

Commissioner Hall stated the west-side basin is an emergency source of potable water.

Josh Milstein, Deputy City Attorney, City Attorney's Office discussed the City historic groundwater use.

Greg Bartow, Hydrologist, San Francisco Public Utilities Commission, discussed current groundwater use in San Francisco, future groundwater supply opportunities in San Francisco, and gave an update on Lake Merced water levels.

Commissioner Hall stated you have added a certain amount of water which allows you to monitor the Lake as it is. In addition to adding water, what do you think is the number one reason for the Lake staying up? Can you estimate the remaining high in the last five or six months outside of adding water?

Mr. Bartow stated that this has been a normal water year. Given the normal water year of roughly 20 inches of rain fallout in the Lake Merced area and adding the 400 acre feet of water to Lake Merced are the two water additions.

Commissioner Hall asked is there ample evidence at this point to show that reduced pumping is having an effect?

Mr. Bartow stated right now it does not look like pumping has a direct effect on the Lake Merced lake levels. We'll be happy to see the Olympic Club move onto recycled water. It stresses the basin and has a muted effect on the Lake levels. At this point, the Daly City pumping does not look like a direct linkage to Lake Merced. Stopping the pumping in Daly City similarly has not been the main cause for the lake levels.

Mr. Carlin stated that part of the exercise is that we have added water to the Lake. We've reduced pumping in the west-side basin by Daly City, South San Francisco,

and San Bruno. If you look at it from an academic standpoint, we are conducting a giant experiment in trying to come up with the conclusions so we are not speculating but we have science backing up whatever management direction we want to take with the west-side basin aquifer and Lake Merced. Data is still being collected.

Mr. Milstein stated it is clear that the pumping in Daly City has changed the grading out of the Lake. The water levels are way below sea level but it is a slow process for water in the lake to actually get to the deeper ground water. What we're trying to do is manage the lake and the groundwater independently so we can make use of that storage space.

Commissioner Hall asked if there are existing regulations that require that water to be potable.

Ms. Pilat stated on the last slide on page 23 there is a hydraulic connection between Lake Merced and the underlying aquifers of the greater west-side basin. So, saying that there is not a direct connection between the pumping and the Lake may be misleading. It might be more understandable to say that there is not an immediate connection or a short-term connection. There has been agreement that there is a long-term and real connection between the pumping and the Lake levels.

Mr. Bartow stated then the question is what does long-term mean? We're talking decades or centuries.

Chairperson Commissioner Gonzalez asked Mr. Carlin, do you agree with the remark by Ms. Pilat?

Mr. Bartow stated we have had debates about this. We called it an indirect effect, a long-term effect. It is hydraulically connected, but it is a time-scale issue. It is not immediate or on a daily basis or a yearly basis, but in the order of decades. When Mr. Milstein stated that Daly City pumping actually changed the hydraulic grading in the west-side basin, it took about forty or fifty years to change that hydraulic gradient. What we're trying to do is undo it, but it is still going to take decades.

Commissioner Hall stated you are trying to create a situation which you could measure exactly what is going on, and I understand it is going to take time. Is there a City or State requirement that requires the water in the Lake to be potable, not only for emergency purposes but to be potable?

Mr. Milstein stated currently on the Regional Board Basin Plan it is designated as a potential emergency water source for San Francisco. In my view it is up to San Francisco to decide what it wants to use the Lake for. We've talked about emergency water supply. Realistically, the best choice for the City in terms of emergency water supply for drinking is going to be wells because you can just pull that out of the ground, chlorinate, and drink it. Whereas with Lake Merced if you

wanted to put that water into the water system, you would have to issue a boil water order and it would be difficult to do.

Commissioner Hall asked but it is still listed as an emergency source of drinking water?

Mr. Milstein stated yes, potentially.

Chairperson Commissioner Gonzalez asked Mr. Milstein to explain why it is so difficult.

Mr. Milstein stated there are a lot of coliform bacteria in Lake Merced and putting that into the potable water distribution—I am not an operator, but my understanding is that putting that water in you have to totally disinfect everything afterwards. In some sense, it makes more sense to look at Lake Merced as a fire-fighting water supply for example. But these are some of the policy choices that the PUC is going to have to make over the next couple of years as we work through this process.

Commissioner Hall stated that would be important whether we consider it a recreational facility first over potable drinking water supply. So these are the decisions that can be made at a City level.

Mr. Carlin stated that is correct. We say it is a potential emergency water supply because of the way the water system was developed here in San Francisco. Our pump station located at Lake Merced actually has what we call the intake pipes that we can actually draw the water out of and put into the City distribution system. When that was done in the 1930's, there was no filtration of water. The water quality standards or regulations were very lax. Now we have very stringent regulations that we must meet goals so in order to draw that water out, we would have to put it through a filtration plant which we don't have at Lake Merced. It would have to meet those standards of less than five turbidity units and less than one coliform unit. What Mr. Milstein mentioned if we were to put water into our distribution system, we would only do it under the dire of circumstances like we were cut off and we had basically nothing and we were fighting fires. What it would mean is that we would have to issue a boil water order. In other words, you would have to boil your water and add common bleach to it before you could actually drink it. It's that kind of situation where we would say it's a potential water supply.

Commissioner Hall asked recharging the Lake by the runoff—you have a pilot program—what is the status of the program, the Daly City runoff into the ocean?

Mr. Carlin stated we have actually constructed the units to take the water out of the Vista Grande runoff canal. We have those in place. Unfortunately what has happened is this year's winter pattern has been off. We've tried to activate them a couple of times and we have some very limited data, but mostly it hasn't been a very good year to do that pilot project so we are going to remobilize next winter.

Commissioner Hall asked so we could have some kind of reading or result on how effective that is. When could we expect a result?

Mr. Carlin stated I don't know. I will have to get back to you on that. We have very limited data this winter because of the conditions that were experienced out there. We actually had experienced some very heavy storms in January that basically flooded out the area.

Commissioner Hall stated that is unfortunate because that could be another good source of recharging.

Ms. Pilat asked if next winter will still be a testing winter without putting water into the Lake.

Mr. Carlin stated we haven't reached that decision yet. We are going to look at what the data tells us and what we can actually negotiate with the regulatory agencies. If we don't have sufficient data, no. If we have sufficient data, then perhaps we can go to the next phase.

Commissioner Hall asked because of the unusual wet season, the apparatus was destroyed or we weren't able to get the apparatus in place?

Mr. Carlin stated we had the apparatus in place and it overwhelmed the unit. We had another one of those issues with the Vista Grande canal actually overflowing and it actually flooded our test area. Then we had a long sort of dry spell so we demobilized. Basically, we didn't think we would get any more rain and now we are getting a very unusual winter again. We are getting rain now here in the end of April.

Commissioner Hall asked can we anticipate the water levels continuing to rise in the near distant future?

Mr. Bartow stated right now we have put in a request to the agencies. We needed the Department of Fish and Game approval and Audubon Society approval based on the prior agreements for adding water to the Lake. We needed their approval for any water additions between April 15 and July 1. We put in a request letter and are awaiting their approval on this. We suspect we will be able to get an okay to maintain the Lake at April 15th Lake levels, to not raise the Lake over the summer. What we would like to do is just to maintain those water levels at least through July to allow us to collect more data on the impacts.

Ms. Pilat asked Mr. Carlin, in your presentation there were three waste water treatment plants that were potentially being considered for producing recycled water. That seems to be different from what I last heard as three on each side of the City so a total of six package plants.

Mr. Carlin stated we are in the preliminary stages and we are actually looking at strategies. One of them was to utilize the existing infrastructure. So if we utilize the existing infrastructure and go there first and look at what we can do, that is one way to do it. If we can't utilize the infrastructure, then perhaps we should look at a more decentralized approach and we are actually going to do that as well. It's a compare and contrast that we want to get to. Not just this is the way we're going. Again, we're at the preliminary stages and when you came in and we talked about it, I was just laying out some thoughts about it.

Ms. Pilat asked when you anticipate that public involvement and or public information sessions about recycled water might begin and if you had a response to the neighborhood groups who were interested in a monthly update on recycled water?

Mr. Carlin stated we don't have a time schedule established yet for public involvement. I am not aware of a monthly request from neighborhood groups. I would be glad to meet with whatever neighborhood groups would like to sit and talk about that. I have met privately with some of those. We're trying to put together a time schedule as I stated in my presentation. The first thing we were trying to do is to come out as the City to talk about recycled water and not just the PUC. What we don't want to stumble on is basically if there's a user out there that happens to be a City department, we would like to have them be part of the team that goes out and discusses recycled water. That is where we spent the past month is just talking to the other City departments. Now we are just trying to put together schedules and such. I showed a preliminary broad schedule. We don't have specific dates set yet.

Public Comment

Mr. Francisco DaCosta stated that he is looking at this from a different perspective and provided background information.

Mr. John Plummer, Friends of Lake Merced stated that about 25 percent of all recycled water in California today is used for re-aquifer recharge, about half of that directly and half of that through irrigation water that percolates into the aquifer. He recommended that those wells be used for aquifer recharge, both to build a water barrier between the Lake and the pumpers and help augment the support of the Lake. In addition, to look at the possibility of using recycled water to build a water barrier to protect against salt water intrusion. These are two potentially very valuable uses of recycled water that are not on the current list of applications from the PUC and recommended they be added to that list and studied carefully. He would like to participate in that study and in supporting the results.

Mr. Andrew Bozeman stated that the number of water sources, channels etc. that were blocked or covered up by our insatiable need to develop and make money was rather saddening. He encouraged the Commissioners to move forward with whatever needs to be done to educate the public.

Mr. Emeric Kalman stated that he tried to follow up on the issues of ground water and recycled water for quite a few years. Before the City puts more money in the recycled water project, he would like an economic feasibility study done. Did anyone calculate the costs including today's energy costs?

Mr. Bartow commented on the use of recycled waste-water for injection wells. That is the technology that is used in Southern California and is used very successfully to create a barrier to stop salt water intrusion. Here the preliminary results from the saltwater intrusion monitoring wells that are located at Fort Funston and the Zoo indicate that there is not a serious salt water intrusion problem within the west-side basin. There is not a problem to cure right now. Long term maybe that is something for the City to look at. But in the short term, that probably isn't necessary. As far as actually injecting highly treated waste water into the aquifers, that's met huge public opposition that Ms. Pilat brought up also that there is public perception of toilet to tap with injecting treated waste-water into the ground pretty much killed that project out there in the Tri-Valley area.

Commissioner Hall asked to explain how an injection well functions.

Mr. Bartow stated a boring would be drilled down to the permeable aquifer zones. The well would have holes in that so the casing would have holes in that screen, and then water would be pumped down under pressure into the aquifer. That's the technology used with both potable and recycled water in certain cases.

Mr. Carlin stated that he would comment on the waste-water issue. It is an issue we're starting to grapple with and develop a new clean-water master plan. It is something we don't have currently. If you recall when we went forward with the capital program in the bond measure, we pulled clean water out of it. There are no capital funds that were actually authorized by the voters for the clean water projects. We are rethinking that. As a gentleman pointed out we need to make it a citywide issue. It's not just a southeast issue—it is a citywide issue and all communities need to get involved and how we actually address that in the future. The last thing is on the cost of recycled water. A lot of the costs I mentioned in my testimony would depend on what technology we choose, whether we have six or seven plants. We have made a commitment that we are going towards the highest level of public protection in water quality. As part of the process that we go through, we will be developing costs and those costs will be publicly available and will see what it actually costs to produce a unit of recycled water. The EBMUD representative may be able to say what it costs them to produce a unit of recycled water.

Ms. Steere stated that you can't generalize what it is going to cost. It depends on where that project is, are there elevations involved which will lend to pumping stations and pressure reduction stations and so forth and so on. I would like to take a fly-over view of it in terms of the costs for recycled water projects. You really can't compare them to the costs of developing a potable water supply. Both San

Francisco and EBMUD are in the enviable position in California of having developed these supplies of surface water many years ago. We developed these supplies at a time when the environment wasn't a word that the public at large had heard of so we developed these projects at a tremendous cost to the environment. We're beginning to discover as we put money into basically environmental restoration projects and so forth and so on that it is going to take billions of dollars to bring back and restore environments that have been hurt by historic water development in California. But sometimes the public doesn't stop to think about those things, but I think it is incumbent on those that are on the utility side to give some recognition to that fact. So these are costs you can't necessarily calculate in terms of what it costs to develop a potable supply versus a recycled water supply because historically, we haven't factored in some of these costs but there are real costs to society to doing these things. In terms of the recycled water costs, most utilities come up with a rule of thumb of what they think for them represents a reasonable range of costs per unit. For EBMUD the cutoff point is if we feel we can develop a supply of recycled water for about $1600 per acre foot, that that for us represents a reasonable cost. There is another factor that people need to look at in terms of the costs to these projects. That is, what is the value of that supply of water. We had a Demand Management Advisory Committee set up to help us take a look at both recycled water and water conservation at East Bay MUD. One of the members is in a job where he deals with very large irrigators, and he said his large irrigators would be willing to pay more to be able to use recycled water for irrigation because it gives them a drought proof supply. It guarantees that their investment will be protected. He was in the minority. Other members thought the recycled water should be priced less than the potable supply. It was a very interesting perspective that he brought.

Commissioner Hall asked if those users were private companies?

Ms. Steere stated they were private golf courses or other major large irrigators although there were probably customers that were on the public side as well.

Commissioner Hall asked Mr. Carlin if we have that degree of private or that level of private users. I know we have private users that they don't have.

Mr. Carlin stated we don't have the level of private users. The Daly City project, for example--we brought down the cost of the Daly City project to make it work to deliver water to the Olympic Club, the San Francisco Golf Club, and the Lake Merced Golf Club. In essence, we helped to make that project work for all involved from an economic standpoint. So as Ms. Steere mentioned, you can't value the public benefit we are getting out of them not pumping and so on.

Ms. Steere stated on the issue of public education and support. I'm not an engineer and one of the messages I keep driving home with one of the engineers is if you don't have public support for your project, you don't have a project and that's been demonstrated not only at EBMUD but outside of the district with other utilities. It is so crucial. I am pleased to see it in Mr. Carlin's presentation that San Francisco is

planning to do an aggressive public education and outreach program because that is absolutely crucial. You need to get that done at the front end and make sure you have the community involved in that whole process of planning and developing.

Commissioner Hall thanked all the speakers for their presentations.

Chairperson Commissioner Gonzalez stated that all of these hearings are available on the web-site through video streaming.

Presentations are available at the Clerk of the Board's Office, Room 244, City Hall.

6. Future Agenda Items.

   No discussion was held.

7. Public Comment on Items not on the Agenda.

   No public comment.

8. Adjournment.

   The meeting of the San Francisco Local Agency Formation Commission adjourned at 4:25 p.m.

San Francisco
Local Agency
Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT

MAY 12 2003

SAN FRANCISCO
PUBLIC LIBRARY

AGENDA

Note: Each item on the Consent or Regular agenda may include explanatory documents, including Executive Officer report and public correspondence. These items will be available for review at City Hall, Room 244, Reception Desk.

Special Meeting
Friday, May 23, 2003 at 9:30 a.m.
City Hall, Legislative Chambers, Room 250

Chair: Commissioner Gonzalez; Vice-Chair: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate Members: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

9:30 a.m.

1. Call to Order and Roll Call.

2. Approval of Minutes for the Commission Public Hearing of April 25, 2003 (Discussion and Action Item).

3. SF LAFCO Discussion and Action Regarding the Possibility of Suspending the Activities of SF LAFCO.

10:00 a.m.

4. San Francisco Local Agency Formation Commission (SFLAFCo) Public Hearing on Solar Power.

5. Future Agenda Items.

6. Public Comment on Items not on the Agenda.

7. Adjournment.

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to LAFCo, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of LAFCo members. Any written comments should be sent to: Committee Clerk of LAFCo, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the Committee Clerk by that time may be taken directly to the hearing at the location above.

DISABILITY ACCESS

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142.

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Clerk of the Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7724, by fax at (415) 554-5784 or by email at Donna_Hall@ci.sf.ca.us.

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.ci.sf.ca.us/bdsupvrs/sunshine.htm.

Posted:

San Francisco
Local Agency
Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT.

JUL - 8 2003

SAN FRANCISCO
PUBLIC LIBRARY

MINUTES

Special Meeting
Friday, May 23, 2003, 9:30 a.m.
City Hall, Room 250

Chairperson: Commissioner Gonzalez; Vice Chairperson: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call

   Chairperson Commissioner Gonzalez called the meeting to order at 9:54 a.m.

   Members Present: Chairperson Commissioner Gonzalez, Vice-Chairperson Commissioner McGoldrick, Commissioners Ammiano, Hall, Schmeltzer and Fellman.

   Gloria L. Young, Executive Officer and Nancy Miller, Esquire were noted as present.

2. Approval of Minutes for the Commission Public Hearing of April 25, 2003 (Discussion and Action Item).

   Vice-Chairperson Commissioner McGoldrick moved to approve the April 25, 2003 meeting minutes; Commissioner Schmeltzer seconded. AYES: Commissioners McGoldrick, Schmeltzer, and Chairperson Gonzalez; NOES: None; Absent: Commissioners Ammiano and Hall. The minutes were approved with no objection. No public comment.

3. SF LAFCO Discussion and Action Regarding the Possibility of Suspending the Activities of SF LAFCO.

Chairperson Commissioner Gonzalez stated that a number of LAFCo Commissioners and Board of Supervisors members indicated a desire to suspend the activities of SF LAFCo to accommodate budgetary and scheduling issues. Last year the LAFCo discussed mainly one subject. This year the Commission had successful public hearings on desalinization, tidal energy, and San Francisco fresh water lakes that have been informative for the public. A question was asked as to whether the Commission would be able to select interesting topics and if the Executive Officer would be able to assemble panels to continue this work.

Commissioner Schmeltzer stated that the Commission is in the middle of two studies and was not sure of the context of this agenda item in relation to the work on these studies.

Chairperson Commissioner Gonzalez stated that the LAFCo would not be shut down because of the pending studies and would meet on an as needed basis instead of twice a month as scheduled.

Vice-Chairperson Commissioner McGoldrick stated that it would be advisable for the Commission to meet less than twice a month, and that would address the scheduling issues. He recommended keeping budgetary issues in mind and spending wisely.

Commissioner Schmeltzer asked what the impact on the budget would be.

Chairperson Commissioner Gonzalez stated the impact would be trivial given the fact that the LAFCo has spent the money that would have been expected to be in the budget. Nevertheless, there are associated costs such as televising, legal counsel fees, etc. He stated that he felt this issue was primarily on the agenda because there are members of the Board of Supervisors who are overextended with Committee and regional Board-work.

Commissioner Fellman asked legal counsel to go through the legal requirements the LAFCo Commission has.

Nancy L. Miller, Esquire stated that SFLAFCo's legal requirements are to maintain a web site and provide for staff noticed on the web site. If someone had a proposal to initiate a resolution to change an organization they would know what staff to go to and what staff you have. LAFCo has to conduct at least two noticed public hearings a year to adopt a budget. She stated that meeting twice a month is unusual for the LAFCo's that she represents across the state. LAFCo's policies that were adopted in 2000 provided for LAFCo to meet as needed and not on a regular meeting schedule.

Gloria L. Young, Executive Officer stated that there is a balance of $132,000 in the budget until the end of this fiscal year. It includes the completion of the AB117 study. Any remaining funds will be encumbered to the next fiscal year to pay for the Electric Financial Feasibility Study. There would be minor savings in stipends paid to the Commissioners if the number of meetings is reduced. There would be ongoing legal services required with the completion of AB117 and the Electric Financial Feasibility study. Expenses would be ongoing whether there would be meetings held or not. The next fiscal year budget that the Commission adopted in May was a total of $404,000. About $50,000 to $70,000 of that total amount could be saved unless the Commission requested additional studies that would have to be approved by the Commission and the Board of Supervisors as part of a future work plan.

Chairperson Gonzalez asked if the vacant position for the alternate LAFCo Commissioner was filled.

Ms. Young stated that the alternate LAFCo Commissioner is Supervisor Peskin, but he has not been active. All of the positions have been filled.

Chairperson Gonzalez asked if there was only one alternate position for a Board member.

Ms. Young stated one alternate Board and one alternate Public member.

Commissioner Ammiano stated that he felt the Commission could have less meetings, but did not want it suspended. He felt that the members could relinquish or half their compensation for participation.

Chairperson Commissioner Gonzalez stated that the Finance and Budget Committee members that brought this item to his attention had seen the line item budget for the LAFCo and thought it should be shut down for a cost savings. Once they learn that the bulk has been expended even into next year, their opinion may be different.

Commissioner Hall asked what net savings would be achieved in suspending the LAFCo since studies have already been paid for.

Ms. Young stated the studies have not been paid for as of yet. The payment for the AB117 report will be completed in this fiscal year. The draft is due to be heard at a public hearing on June 20. The Electric Financial Feasibility Study will be completed by the end of August. The next fiscal year's budget includes $100,000 toward the completion of the Electric Financial Feasibility Study.

Commissioner Hall asked what would be saved by suspending LAFCo now.

Ms. Young stated just the stipends and savings for legal counsel being present at the meetings. The legal counsel is required to do work for both the studies so we would be paying for that time for them to do the research and study.

Commissioner Schmeltzer asked if there would be an administrative cost reduction associated with reducing the number of meetings. She recommended having public meetings on each of the two studies.

Chairperson Commissioner Gonzalez stated that the Commission could have a discussion at the next meeting on a future work plan. He recommended tabling this item and hearing it at a future time if necessary.

Commissioner Fellman recommended that the Commission vote on the number of meetings and drop the twice a month schedule.

Chairperson Commissioner Gonzalez stated that one of the two meetings scheduled in the month may be helpful in preparation for the public hearing. He doesn't think the meeting costs are what the Budget Committee members had in mind. They were seeing the larger figure related to the studies thinking that if the LAFCo were not in operation, they could re-appropriate that money.

Public Comment

Mr. Bruce Brugman of the Bay Guardian, supported retaining the LAFCo and voiced his opposition to suspending activities. He recommended an Economic Impact Study on the City and County of San Francisco as one of the activities for the future work plan.

Mr. Robin David voiced his concern that the LAFCo would be suspended in the middle of two studies and voiced his opposition to suspending the activities of SFLAFCo.

Suspending the activities of SFLAFCo was tabled unanimously with no objection.

4. San Francisco Local Agency Formation Commission (SFLAFCo) Public Hearing on Solar Power.

Mr. Jared Blumenfeld, Director, Department of the Environment stated that LAFCo is a useful forum for detailed discussions and applauded LAFCo's work especially in the area of renewable energy. In 1997, the Clinton Administration set a goal of having a million solar roofs. In that same year, Mayor Brown's administration and the Board bought into that million solar roof initiative. In 2001, Propositions B and H passed with resounding support of the San Francisco voters. San Francisco is clearly in the lead nationally in wanting to make a difference in terms of renewable energy and in making it the solar capital of the world. There are many obstacles to getting there and community frustration as far as progress. He stated that the discussion today is to set the record straight, to clarify where we are, and to push

forward as fast as possible to get as many solar panels on as many roofs as possible.

Commissioner Ammiano stated that the topic of today's meeting is closest to being implemented because of the commitment of the San Francisco voters to solar power and the Bay Area's campaigns.

Speakers

Craig Stevens, founder of Solarbuzz Inc., an independent solar energy consulting firm discussed (1) solar photovoltaic (PV) market demand; (2) programs and structures; (3) success factors; and (4) implementation issues. The presentation is on file at the Clerk of the Board's Office, Room 244, City Hall.

Keith Rutledge, President and CEO of the Renewable Energy Development Institute (REDI), discussed photovoltaic installations and program implementation issues such as (1) technical factors; (2) financial factors; (3) market factors; (4) site factors; (5) client factors; and (6) financing methods. The presentation is on file at the Clerk of the Board's Office, Room 244, City Hall.

Ed Smeloff, Assistant General Manager for Power Policy, Planning and Resource Development for the SFPUC discussed the implementation of solar energy in San Francisco and plans at the Public Utilities Commission on Propositions B and H. An overview was given on the Moscone project, the next project planned by the PUC. The presentation is on file at the Clerk of the Board's Office, Room 244, City Hall.

Peter O'Donnell, Senior Energy Specialist, Department of the Environment, sitting in for Cal Broomhead, discussed the Department of the Environment's role in the residential and commercial sectors in relation to solar and the obstacles that need to be overcome.

Greg Kennedy, Solar Energy and General Contractor, Occidental Power, discussed his solar energy market experience in San Francisco for the past twenty-two years. The presentation is on file at the Clerk of the Board's Office, Room 244, City Hall.

Commissioner Hall asked if the panels that you see on the homes in the western end of the City are long term maintenance free.

Mr. Kennedy stated that there is always a maintenance component particularly with solar thermal. There are systems that are over twenty years old and are as good as the day they were put in.

Commissioner Hall asked for the average cost of a residential installation.

Mr. Kennedy stated that an average residential installation in San Francisco for a photovoltaic 2.5 kilowatt system which will make 12.5 kilowatt hours per day will cost about $25,000 to $30,000 gross before tax credits, rebates, and business incentives.

Commissioner Hall asked what percentage of usage the solar installation would have for typical household.

Mr. Kennedy stated that it could oftentimes zero out their consumption. There are still standby fees from PG&E that could knock it down to just a few dollars a month.

Commissioner Ammiano asked about hook-up fees.

Mr. Kennedy stated just to stay on the grid. In a sense you are treating the grid as a giant battery and you are feeding back into it and drawing from it as needed in the evening.

Commissioner Ammiano stated that the City goes into this program and purchases in bulk so it minimizes the startup costs for the commercial building residents, so that $25,000 figure does not intimidate the average homeowner.

Commissioner Fellman asked Mr. Kennedy if solar works in San Francisco with all of the fog. Solar has value where it is sunny, and that is most of California.

Mr. Kennedy stated that we have twelve micro-climates in San Francisco, and some produce better than others. Studies have been done to determine where the best outputs would be. Their shop is operating in the Sunset District, and they have a lot of systems out in the western side of the City that works very well. There are days that you wouldn't get the production you would in some other climate. Sometimes in the coast you might get a ten-percent drop. With photovoltaics, it has more to do with light than heat.

Mr. Smeloff stated solar electric PV does not need direct sunlight. It can produce electricity with diffused sunlight. There are big differences in parts of the City, and we have an ongoing monitoring program so that we can determine where the best locations in the City are. Generally, an area like the Bayview is going to have about twice the amount of solar radiance than parts of the Richmond. The portions of the City that will be targeted are the ones with the best solar resource.

Commissioner Fellman asked if this information would be folded into the public outreach that the Department of the Environment is doing.

Mr. O'Donnell stated that the Department of Environment updates the City's website regularly. Last week at an installation review at Pet Camp, right off Third Street, which is the largest commercial installation in the City at 38 kilowatts, during a brief rain shower, they were still getting sixty-percent generation capacity.

Commissioner Fellman stated that solar needs an ad that would catch people's attention that is similar to the one that GE has for wind power with the Viking ships.

Commissioner Hall asked Mr. Kennedy if someone outlays $25,000 or $30,000 before rebates if it would take them down to zero dependency on the grid.

Mr. Kennedy stated there are a few factors, but yes.

Commissioner Hall asked what the estimation of the expenditure for the average house would be if they were on the grid and didn't have solar.

Mr. Kennedy stated that it varies and there are a lot of over baseline rates. A system is put in that's the correct size to get rid of the penalty phase of the rate billing. People will often call and say they spent a $150 a month and ask what it will do. He stated that he has to look at the bills and see what the kilowatt hours are, know what the rates are, and look at the home. There is customization involved. By in large, peoples' bills can be reduced to little or nothing for about that price. The ultimate outlay is about half of the $25,000 to $30,000.

Commissioner Hall stated that if someone laid out $25,000 or $30,000 and spent a couple of hundred dollars a month, that would be a ten-year savings right there.

Mr. Kennedy stated that if someone's net cost after the cash rebate gets down to $16,000 or $17,000 and able to roll in the additional cost into a loan, the paying for that solar system might be $80 a month whereas their previous bill may have been $100 a month. As a result, they would have a positive cash flow afterward and have bought their power. They then would not be buying the power from PG&E and would be hedging against future rate increases. The saving is based on certain rate increases of one or two percent a year, but who knows what the cost of electricity will be.

Commissioner Hall asked what the average monthly bill would be on the average installation that was assumed to be on higher end houses.

Mr. Kennedy stated it depends on different factors and that they do all different sizes. Some people would actually have small bills and be conservative in their consumption and want to put in a small system. They go from people who spend hundreds of dollars a month to some who spend only $50 to $100 a month.

Public Comment

Mr. Albert Fong, Bayview Hunter's Point Community Advocates, program manager for the ACE program, a project where they work in collaboration with the Department of the Environment and is funded through a settlement through the California Public Utilities Commission and PG&E. The project has two parts. The first is to install about 60 solar systems. The second part is to train Bayview Community interns in the construction trades who will be well trained in solar. He requested the writers and respondents to the procurements in the San Francisco solar program to include this resource in the procurement process by including a local hiring requirement, and award additional points if folks use local resources from minority communities.

Using this resource would benefit both the vendors and the city both economically and socially.

Commissioner Ammiano stated that labor unions as well as City College are being talked to about apprenticeship programs and resource hiring.

Mr. Don Paul, From the Group Up, Housing is a Human Right, stated they've attended hours of meetings with PG&E, the independent system operators, SFPUC, and the Department of the Environment representatives over the last year about the pilot program that had been announced. They received the details of the 16.3 million dollar program Wednesday afternoon. The program's objectives state that special attention would be given to customers in the Bayview Hunter's Point neighborhood and that the City and County of San Francisco's expertise is to work within the community of Bayview Hunter's Point to determine how best to reduce the energy bills of residents there. However, there is not a single item in the $16.3 million dollars that actually addresses residents of Bayview Hunter's Point. There is $2.1 million for commercial turnkey services for small and medium-sized businesses; there is $4.2 million for non-residential facilities; and there are $7.1 million cash rebates for cash customers. This pilot program as they understood it and as they were enlisted to testify before the CPUC, was to benefit the residents of the most polluted and affected community in San Francisco. He asked the City to look over this agreement closely before it enters into it and to do whatever it can to make sure that the residents are served. He stated that Commissioner Susan Kennedy of the CPUC wanted the Bayview Hunter's Point Community to benefit. The city of Hamburg and the city of Munich in Germany offer rebate incentives for the installation of PV systems--that is another way they can be encouraged in San Francisco.

Mr. Marvin Feldman, Resource Decisions, stated that he has worked with both the CPUC's self-generation program and the CUC's bi-dome program. He asked Mr. Smeloff how they are going about identifying the points on the grid which would most benefit from distributed generation.

Mr. Smeloff stated that the SFPUC is working with the California Energy Commission through their public research program and has brought on a consultant to look at the grid within San Francisco. They are just beginning to study what the so-called choke or congestion points are on the grid and to look regionally where distributed generation and solar energy would have the most value.

Mr. Tom McDonagh stated that the highlights in today's hearing were that to have credibility you must have a long-term commitment. Greg Kennedy discussed both systems that would last. Peter O'Donnell, Cal Broomhead and the people at the Department of the Environment are establishing a solid foundation for this industry to grow. He thanked the panel for showing their experiences and for their diverse skill sets and commended the Commissioners. He recommended going directly to the consumer and to the ultimate source of energy, the sun.

Ms. Silvia Johnson spoke during public comment.

Mr. Gerald Grundstein stated that Mr. Stevens discussed expansion and asked who would benefit from expansion. He asked Mr. Rutledge what financing is tied to. The state of California is providing financing in terms of millions of dollars and asked if this money is going to companies based here in California. If not what is the state government doing to make certain that those jobs and those economic opportunities go to the state of California. Other issues such as monitoring--has anybody done any kind of study? Sales have been mentioned about landlords not wanting to put in installations because it doesn't make any sense because of lease agreements. Lease agreements are negotiable. Resale values attracting tenants are negotiable. Why wouldn't a landlord want to put in a solar installation? Why wouldn't we as a City want to commission a study on real estate appraisal for private homes that have possible increased resale value as a result of solar installations? Is there resale value increases as a result of these kinds of installations?

Mr. Stevens stated that solar energy has been very good for the United States economy. The high technology end of the business in terms of making the cells--there is a substantial domestic manufacturing content. About 40 percent of the production capacity are actually exported to other countries. The manufacturing content is extremely good for the United States economy. The second point is that most studies demonstrated that in terms of the labor content as an energy source, this has a high labor content, particularly at the installation end. The investment in solar energy because it involves local installation is definitely an investment in local jobs. Quite unlike almost any other energy source. In terms of California, there are substantial locations for solar cells just outside of Los Angeles. Power Light, a large shell facility and a good major installer that are in the forefront of creating and marketing large commercial systems are just five miles from us. They qualify as being within the Forbes top 500 companies of the fastest growing companies.

Mr. Rutledge stated that he agreed with the speaker's comments regarding the opportunity for economic development and job creation and that is a huge component of this program. He stated that he finished working with the State of Hawaii's utility companies, and they asked the same questions about the benefits and the credits of the rebates. The millions of dollars that are being paid right now by rate payers are going to utility companies to buy fuel that comes from outside of our area. A lot of that money leaves our economy. By avoiding those costs by having your own energy system, the savings that the individuals are going to see will stay in the area. If the money is kept locally, more of that money will be spent locally, and more jobs created. He agreed with one of the speakers about requiring local participation. The sunshine is here and the sun is being converted into electricity or hot water. That is what can be converted into real dollars that stays in our community and spent locally.

Commissioner Schmeltzer asked Mr. Rutledge about Hawaii's relatively new program that has generated a lot of installations in the last year.

Mr. Rutledge stated that they had helped design that program. There is a revolving loan fund now in three islands. It started with Maui Electric. It is a zero interest loan fund primarily targeted to low-income home owners. The county of Maui actually came up with the money and put it into a pool that is loaned out to the consumers. The consumers are paying back the first three or four years worth of their energy savings to pay the loan off. Once the loan is paid for with no interest costs, they will get all of the savings. Oahu's electric company has started a program with over a million dollars. The Maui fund has about $350,000. He understands that the big island is going to implement their own program. Having that source of financing either at a low or zero interest rate and having it accessible in this case through the utility company that is administering the program makes it an easy access to financing--very simple application, payment processing, etc. It is low-cost and easy access financing that is key to the program.

Commissioner Schmeltzer asked how many homeowners have taken advantage of this program.

Mr. Rutledge stated that Hawaii has an incredible amount of installations for a lot of other reasons. The program is new. Out of the $350,000 that is funded in Maui this last year, it had 87 applicants/residences. The Honolulu program just started so they haven't even loaned any money. They are figuring that it would be a revolving loan on an ongoing basis--as the money comes back in, it can be loaned out again. In Maui, they'll have about 15 systems a month on a sustainable basis from loan repayments with that $350,000 investment. He stated that they are trying to get the fund up to $1,000,000 so that amount can be tripled to 45 systems a month. Hawaii imports over 90 percent of their energy--solar water heating and solar electric is everywhere.

Mr. Stevens stated that you are not assessed new property tax when you put a solar system on your home. It is exempt. If you put a $30,000 solar system value on your home and if it is assessed again, that installation is not put into the equation although you increased the value of your home.

Mr. Rutledge stated there is evidence from the Appraisal Institute that energy efficient homes have consistently sold for more than non-energy efficient homes. Solar electric in particular is so new that there isn't good market data. But, the appraisers have a methodology for adding both the capital improvement value and also a monthly energy savings that can be added to the applicant's income when they are borrowing money. There is a process in place for determining both the value of the property without having market data and also for adding income for a borrower through the energy efficient mortgage program and the standard appraisal form. He agreed with the idea of a pilot program of gathering data over time. He is trying to fund whether the property tax assessors are really exempting solar equipment from property taxes because in some cases the only way they would be able to know is by looking at building permit applications. People may be charged for property taxes even though they are not supposed to be.

Commissioner Ammiano stated that with the Potrero Hill Daycare Center the school building had to be made as energy efficient as possible, and then they put the panels on. He asked where most of the panels were manufactured.

Mr. Stevens stated last year from a market of about 400, about 100 megawatts was manufactured in the United States. Japan is starting to do exports as well. That is a confidence of having a strong local market.

Commissioner Ammiano stated Israel too.

Mr. Stevens stated on thermacide yes.

Commissioner Ammiano asked who the manufacturers are in this area. There is one in Berkeley.

Mr. Stevens stated there is one in Berkeley, Power Light that does manufacturing of systems. There is a large facility in Camarillo in Southern California, and there is a manufacturer in the East Coast.

Commissioner Ammiano stated that is something San Francisco could look at depending on it becoming more zoning friendly. There is the concept of farms where you would have a number of panels not necessarily on a building. Is that something that is within the net?

Mr. Stevens stated that is a version of small distributive generation which people could buy in and access. That is starting to work in Germany. He recommended a steady approach on that. The largest system in the world of the farm type is about four megawatts in Germany. In terms of the industry capability, it is in the one to four areas where attractive procurement can be achieved at that sort of level. There is no need to go higher, particularly to get better prices.

Mr. Rutledge stated that when you produce power on a home or business, you not only avoid the electricity portion of the cost, but you are also avoiding the transmission and distribution portion. If you put a field of panels someplace, you will only get the electrical component of it, so it is typically not as cost effective. Although it could be if it had grid benefits and those are valued such as peak times.

Commissioner Ammiano stated we are also always looking at backups to switch to in case of emergencies.

Mr. Dan Whooley, Director of Education, San Francisco Electrical Training Trust stated that they have been preparing a workforce of journeymen and apprentices for the emerging and renewable energy technologies. Currently they have apprentices installing solar panels and co-generation from residences down to the commercial district as well. Of their current 320 apprentices in the program, over 40 percent are San Francisco residents from all over the city including the Bayview. They work closely with the community developers and have a great reputation with them.

Some of their candidates are on a waiting list to get into this apprenticeship. He applauded the efforts and agreed that San Francisco should become the solar capital of the world.

Mr. Blumenfeld stated that SB289 is a bill that Senator Murray just introduced that would require half of all homes constructed in California after 2006 be built with energy efficient PVs. Secondly, in terms of energy conservation there would be a LAFCo hearing on July 18th at 2:00 p.m. The first precursor to do any kind of PV or renewable energy is to make sure you have energy conservation taking place first.

5. Future Agenda Items.

   Ms. Young stated that LAFCo has public hearings set for June 20 to discuss the draft of AB117 and July 18th to discuss energy conservation.

   Commissioner Hall asked if there would be a hearing on wind power.

   Ms. Young stated she would discuss this topic with the San Francisco Public Utilities Commission and the Department of the Environment and try to include it for the hearing scheduled for July 18th.

   No public comment.

6. Public Comment on Items Not on the Agenda

   No public comment.

7. Adjournment

   The public hearing of the San Francisco Local Agency Formation Commission adjourned at 12:17 p.m.

San Francisco
Local Agency
Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT.

JUN 6 2003

SAN FRANCISCO
PUBLIC LIBRARY

AGENDA

Note: Each item on the Consent or Regular agenda may include explanatory documents, including Executive Officer report and public correspondence. These items will be available for review at City Hall, Room 244, Reception Desk.

Special Meeting
Friday, June 20, 2003, at 10:00 a.m.
City Hall, Legislative Chambers, Room 250

Chair: Commissioner Gonzalez; Vice-Chair: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate Members: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call.

2. Approval of Minutes for the Commission Public Hearing of May 23, 2003 (Discussion and Action Item).

3. San Francisco Local Agency Formation Commission (SFLAFCo) Public Hearing on the R. W. Beck Draft Report on Community Aggregation (AB 117) Migden.

4. Future Agenda Items.

5. Public Comment on Items not on the Agenda.

6. Adjournment.

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to LAFCo, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of LAFCo members. Any written comments should be sent to: Committee Clerk of LAFCo, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the Committee Clerk by that time may be taken directly to the hearing at the location above.

Cell phones, pagers and similar sound-producing electronic devices : The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (San Francisco Campaign and Governmental Conduct Code Sections 2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102, telephone (415) 581-2300, fax (415) 581-2317 and web site: www.ci.sf.ca.us/ethics.

DISABILITY ACCESS

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142. There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

To obtain a disability-related modification or accommodation including auxiliary aids or services to participate in the meeting, please contact Monica Fish, Commission Clerk to SFLAFCo by mail to San Francisco Local Agency Formation Commission, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7702, by fax at (415) 554-7714 or by email at Monica_Fish@sfgov.org at least two business days before the meeting.

Chemical-Based Products: In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Clerk of the Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7724, by fax at (415) 554-5784 or by email at Donna_Hall@sfgov.org.

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.ci.sf.ca.us/bdsupvrs/sunshine.htm.

Posted: June 5, 2003

San Francisco
Local Agency
Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT.

JUL 28 2003

SAN FRANCISCO
PUBLIC LIBRARY

MINUTES

Special Meeting
Friday, June 20, 2003, 10:00 a.m.
City Hall, Room 250

Chairperson: Commissioner Gonzalez; Vice Chairperson: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call

   Chairperson Commissioner Gonzalez called the meeting to order at 10:13 a.m.

   Members Present: Chairperson Commissioner Gonzalez, Commissioners Ammiano, Hall, Schmeltzer and Fellman.

   Members Absent: Vice-Chairperson Commissioner McGoldrick

   Gloria L. Young, Executive Officer and Nancy Miller, Esquire were present.

2. Approval of Minutes for the Commission Public Hearing of May 23, 2003 (Discussion and Action Item).

   Commissioner Ammiano moved to approve the May 23, 2003 meeting minutes; Commissioner Schmeltzer seconded. Absent: Vice Chairperson Commissioner McGoldrick and Commissioner Hall. The minutes were approved with no objection. No public comment.

3. San Francisco Local Agency Formation Commission (SFLAFCo) Public Hearing on the R. W. Beck Draft Report on Community Aggregation (AB 117) Migden.

Gloria L. Young, Executive Officer stated that Mr. Mike Bell from R. W. Beck would be presenting the draft report on Community Aggregation (AB 117). The purpose of the Implementation Plan was to consider and assess whether or not the City and County should proceed with the submittal of a community aggregation implementation plan to the California Public Utilities Commission (CPUC). An initial meeting with R. W. Beck and the San Francisco Public Utilities Commission (SFPUC) staff was held for the purpose of outlining the processes that were involved and at least one scoping meeting with legal counsel, Nancy Miller was held. Ms. Young and Ms. Miller also participated in several conference calls with Mr. Bell and with Mr. Ed Smeloff and Ms. Anne Selting from the SFPUC regarding outlining the process. An additional meeting was held this week regarding additional concerns and comments that would be brought forth at this hearing.

Mr. Mike Bell, R. W. Beck, described the contents of the Final Draft Report on Community Aggregation, conclusions, implementation plan requirements, and recommendations. Copies are available for review and purchase ($25.00 per copy) at the Clerk of the Board's Office, Room 244, City Hall, and on the website at www.sfgov.org/lafco.

Commissioner Schmeltzer asked Mr. Bell to detail Section 3 of the report that indicates because of the load shape in San Francisco, there would be little economic benefit to San Francisco, and what factors led to the statement that there is an economic benefit. There was also a chart that showed the estimated benefit for each year starting in 2005 to 2017 that showed those economic benefits getting progressively smaller and then reversing and becoming negatives.

Mr. Bell stated that with the climate in San Francisco and it being as much a winter-peaking utility as a summer-peaking utility, he expected to see a greater difference in terms of the load shape between San Francisco and PG&E and expected to find that those prices would be quite a bit different. The peak load in San Francisco is relatively short and not of very long duration, which is what is expected. In contrasting that to the PG&E load where you will see that the peak is higher and of longer duration, it was expected that the pricing would show a distinct advantage for the San Francisco load over the PG&E load. This data was run against data from the State Power Exchange and the ISO. Those prices during times were so out of whack that they might be just as high during intermediate or base periods as during peak load periods. Using that information really didn't give consistent results. The analysis was looked at four different ways and the same answer was reached each time. There was little difference based on the load factors for San Francisco versus PG&E. Not having the actual PG&E data or customer mix for San Francisco made it difficult to reach conclusions. Based on the analysis that was done, the worst case was a wash. This information should be reviewed further once it is available from PG&E.

Commissioner Schmeltzer asked to explain how we get from that point of saying that the difference in pricing because of the different load shapes really doesn't result in much of a savings to the point of what else is different that would result in price savings.

Mr. Bell stated that when they encountered that problem, they looked at the existing loads and sales and based it upon what the City of San Francisco could achieve if it were to go out in the market and acquire resources to meet their load and what kind of credit the City and County would receive from PG&E if it were a direct access customer. The reason they asked that question was because the data that was available from the Public Utilities Commission with regard to a direct access customer receiving a credit from PG&E should be pretty close in logic to what they would determine for community aggregation. So they took the existing tariff that PG&E has for direct access, looked at that credit and compared it to what the City and County could acquire resources for on their own. That resulted in those savings. As prices change over time, the amount of those savings decline.

The chart shows that in the very late years there is a negative number. That is due to the pricing changes over time. There is no impact in that analysis for either one of two things (1) the resources that the City itself would have available for its own use such as a portion of the Hetchy Hetchy power which would be lower than those prices or (2) the Williams' generators which are contractually obligated for a period of time to the state but would revert to the City's use over time. He is confident that based upon the CPUC's rulings to date as well as the City's ability to utilize their own resources, that those savings would exist over a longer period of time. The other unknown was what happens with the PG&E resources and their efforts to get those out of the regulated environment. His opinion is that should the PG&E hydro and nuclear resources go into a deregulated environment, those prices would be higher and the savings greater. For those reasons, the analysis is pretty conservative assuming the City purchases all of its power in the short-term market when in reality it is likely the City will have other options available to it for use of its own resources.

Nancy Miller, Esquire stated the following: She wanted to go through the rationale for the determination that the SFPUC would be the best governance structure selected to go forward with an implementation plan. There are six options reviewed in the report that are stated in Section 2 that ranged from SFPUC to using another internal City department to the actual creation of a separate Municipal Utility District. Ms. Miller and Ms. Young concurred with R. W. Beck's recommendation that what the CPUC will be looking at in an implementation plan is a governance structure that provides stability, has experience, a track record, and experienced staff.

San Francisco would want local control, accountability, and to provide community aggregation in the most efficient manner. It would be most beneficial to have existing resources that can be used that does not cause additional expense or time. This report deals with community aggregation only. From a legal standpoint it makes sense to use an existing department within the City and County. That is why from a legal analysis, it has been determined that SFPUC would be the most appropriate agency. There might be changes based upon the CPUC

recommendations because their regulations have not promulgated yet. There might be advantages to pooling, which may lead to joint power arrangements or larger contracts than with the City of San Francisco alone. The next step, which is the preparation of the Implementation Plan should be done as soon as possible and with an existing department, the SFPUC.

Commissioner Fellman stated that there was a recommendation in the report that the LAFCo make the decisions regarding the recommended structure.

Ms. Miller stated that a discussion was held about the proper role of the LAFCo. The LAFCo can prepare studies and make recommendations, but is not the actual entity that makes this decision. The determination of whether or not an implementation plan goes forward would be one of the Board of Supervisors through studies and their resolution process. LAFCo can make a recommendation to the Board, but would not be selecting the governance entity.

Commissioner Schmeltzer stated that in the recommended next steps in the conclusion of the report, there are a lot of things that the LAFCo would do and asked if this section should be revised.

Ms. Miller stated that it should be clarified.

Commissioner Ammiano stated the PUC can take the lead, but it really is not an agency process. It is a counsel project and there are three other departments that are involved in advising the PUC such as the Department of the Environment, etc.

Ms. Miller stated that is correct and there is actually a Commission that governs the PUC that would have to approve the implementation plan as well.

Chairperson Commissioner Gonzalez asked Ms. Miller to elaborate about her reference to the bond covenants as one of the disadvantages to relying on the SFPUC.

Ms. Miller stated it is one of the disadvantages, but is not a large disadvantage because we don't know the financing, and this project would not typically be initiated with bonds. Typically, an aggregation project would be initiated in small increments. You might do a neighborhood at a time or perhaps a pilot program. But down the road should you decide that you want significant funding for large purchases or certain improvements, then there are bond covenants and restrictions that are in your Charter that may make it necessary to amend the Charter.

Chairperson Commissioner Gonzalez stated that Ms. Miller's remarks that amending the Charter would require voter approval should not be part of the analysis because it may not be that easy to get around.

Ms. Miller asked if that is because it looks as if it is a disadvantage when it isn't initially?

Chairperson Commissioner Gonzalez stated that If it is a disadvantage for that reason, he would be interested in knowing how the SFPUC under the current Charter would circumvent this bond limitation to do some of the things that we might want in aggregation like expending larger amounts of money for greater savings, etc. Ms. Miller stated that she did not think it was very much of a disadvantage. Is that because Ms. Miller thinks we could just go to the Charter and change it or because there are ways to circumvent the limitations.

Ms. Miller stated that initially you wouldn't be issuing any bonds in terms of your implementation of this project because you would start small. You would not start with a large bond issue and then build up your public acceptance of the program of community aggregation so that bonding would be down the road. To the extent that you may need bonding, then you would get to that question. You don't need to make that decision initially because you won't be going out for bonds.

Commissioner Schmeltzer asked if there would be a City Charter change required just to start this program.

Ms. Miller stated that she does not believe a significant Charter change would be needed. The SFPUC currently has the ability to operate, maintain, use and as cited in the report, the authority. There may need to be a Charter change if you are purchasing power. That is in the report as a possibility. That would also be true for some of your other City departments. A lot of time has not been spent with that particular issue because the next governance in terms of a Joint Power Agreement (JPA) and Municipal Utility District (MUD) would require larger legal analysis and involvement.

Chairperson Commissioner Gonzalez stated that he was concerned with Ms. Miller's use of "not a significant Charter change." You either have a Charter change or you don't. Either the City needs a Charter amendment in order to engage in purchasing power or it doesn't. That is something that we definitely need a clear answer on.

Ms. Miller stated that she thought a Charter change was required and stated that in the report in Section 2, page 2.2 under the heading "Utilize SFPUC Hetch Hetchy."

Commissioner Ammiano stated again, t is the casting of the PUC as the agency as if this is an agency process and taking the lead. They are not going to offer any contracts. The contracts would be let out by the advisory departments, not the PUC. That would not require a Charter amendment. The assumption of incremental—that has never happened and that is not what the plan is going to be.

Ms. Miller stated that she assumed that on the Implementation Plan you wouldn't suddenly go to all neighborhoods and would gradually phase it in. Certainly, there are other options.

Chairperson Commissioner Gonzalez asked Ms. Miller to cite the Charter Section that purchasing energy violates. Sections 3.100 and 4.112 were cited.

Ms. Miller stated 3.100. It says that the SFPUC has exclusive responsibility for overseeing the construction, management, supervision, maintenance, extension, operation, use and control of all water and energy supplies and utilities for the City and County.

Chairperson Commissioner Gonzalez asked if Ms. Miller was interpreting that to be a prohibition from purchasing energy.

Ms. Miller stated she is not interpreting that to be a prohibition, but as not current providing the SFPUC with the authority to purchase power.

Chairperson Commissioner Gonzalez asked if Ms. Miller was interpreting it as prohibition because there is not express language to that effect.

Ms. Miller stated that perhaps you already have determined internally that you have that implied power, but could find nothing that showed that. Hetch Hetchy as one of its departments does have the authority to purchase power for municipal purposes.

Chairperson Commissioner Gonzalez asked why this wouldn't fit under that category.

Ms. Miller stated because now we are talking about residential and commercial purposes.

Chairperson Commissioner Gonzalez asked about Section 4.112.

Ms. Miller stated that Section 4.112 refers to the Charter section as well that refers to the Hetchy Hetchy Water and Engineering Bureau—how the Department is comprised.

Mr. Bell stated that Ms. Miller and R. W. Beck's review consisted of looking at the overall documents. The City and County has existing legal bond counsel. There are certain provisions such as those that should be looked at. His personal belief is that they don't present hurdles that can't be overcome, but there are still questions that ought to be asked of those professionals that work daily with City codes, Charter and bond resolution.

Chairperson Commissioner Gonzalez stated that to essentially reach that conclusion and to cite the Charter sections without really flushing it out, particularly when you are making the recommendation that the SFPUC should do this, poses problems and needs to be flushed out.

Mr. Bell stated there are things that should be looked at further as the process moves along.

Ms. Miller stated that she sent this analysis to the City Attorney's Office and would correct the Draft Report within the next couple of weeks if there is an error.

Commissioner Ammiano stated it is not an agency process. PUC can take the lead, but it is a counsel process and the other three departments in terms of what they advise and the contracts they let out takes care of the issue. I don't mind the emphasis but I am not sure you are making an error necessarily. I also think the focus on what might be potentially a problem is overstated.

Ms. Miller stated it might be overstated. If in fact that is the case and there is a way to avoid that through contract, then the portions of the report should be changed to state that.

Commissioner Fellman stated that the LAFCo has to keep it under the umbrella of the community aggregation provisions in AB 117 in order to accomplish the community aggregation objectives and comply with the CPUC requirements.

Ed Smeloff, Public Utilities Commission commented as follows: They have not had a full opportunity to review the document and would like to reserve the right to provide the Commission with written comments and observations. The SFPUC through the Hetch Hetchy Department does purchase power in the wholesale market on a routine basis. It does that on a short-term basis to meet the obligations it has to serve municipal customers in San Francisco, and serves private customers in San Francisco under an agreement with PG&E. For example, it serves United Airlines, the Dry Dock, other tenants at the Airport Unport properties. We do buy power long term. We bought a five-year purchase power contract with Calpine. There may be an issue as to whether or not as part of community aggregation, the PUC, Hetch Hetchy, or Weber becomes the implementing agency that can enter into a multiple year contract without the annual appropriations of the budget process. We had to get a waiver so that we could enter into the contract with Calpine.

In addition to doing community aggregation, you need to procure the commodity. There is some logic to the SFPUC doing that since we do that already on behalf of municipal customers. Beyond that, you also have to schedule electricity on a daily basis through the ISO to make sure the precise amounts that are required in San Francisco are actually put onto the grid at the proper times. Currently for the municipal customers, we get that service through PG&E. It would be possible for the City to self provide that but would require additional staffing. We do work closely with the ISO. Alternatively, you could contract it out to a third party to do your daily scheduling.

Mr. Smeloff made general comments about the report as follows. We concur with the conclusions. It is a policy question of whether or not it be the SFPUC or another agency. The SFPUC brings certain resources such as its experience with managing the Hetchy Hetchy water and power system, its experience working with the ISO and scheduling power, and its knowledge of the wholesale market. On the other hand, there are important considerations that you need to take into account if you want to move forward with community aggregation. Hetch Hetchy power is currently reserved first for municipal load. As municipal load grows, as we add new City buildings or expand things at the Airport, that would get a first priority on Hetch Hetchy power. We do have a transmission agreement with PG&E through 2015 that

provides a way of getting that power for municipal purposes and assigning customers into San Francisco. We would need to work out a separate Wheeling arrangement or transmission arrangement with PG&E as part of community aggregation.

The critical issue and one that the CPUC will make a decision on would be what the so called generation credit or direct access credit is. Another way to think of what that is is that is the price to beat--it is the discount. If the credit that we get is five cents a kilowatt hour, we would have to procure the commodity at below that price to obtain a price reduction for San Francisco customers. If you were choosing to do community aggregation solely on getting a price break, the decision as to what the generation credit still needs to be would be made by the CPUC. In this report, they took the existing direct access credit which was used when we had direct access to be able to calculate what the potential benefits of community aggregation would be. We need to do additional research. We have sent a letter to the five commissioners of the CPUC making recommendations that they open up a docket on community aggregation as soon as possible so that we can set the rules that to the extent possible it all be consolidated into one docket. There will be some things that will be reviewed by the CPUC in other proceedings. To make it easier for other cities, having one point where these issues are determined makes sense. Thirdly, we recommended to the CPUC that they immediately provide direction to PG&E on what data they should make available to cities like San Francisco. We think they have made some progress because of sympathetic responses from the Commissioners and expect to meet with key staff to determine what that is.

We would like to know how many customers there are in each customer rate class in San Francisco and the amount of revenues from those customers. One of the important things that you will need to know before moving forward on community aggregation is a good estimate of how many customers and what load requirements would opt out. You don't want to buy too much and end up having customers say we don't want to be served by community aggregation. You would then be left with stranded costs. You need to do market research and really understand what customers would be most likely to opt out. We need to get that information from PG&E and from our own research.

We think that R. W. Beck has recommended an aggressive implementation schedule. If things start now, we are talking about 2005 as a possibility. If you do choose to ask the SFPUC to do this, we are going to have to look at what resources would be required in terms of staffing and any professional service contracts or advice that we would need in order to move forward with the implementation plan. We've been working and building a coalition of other cities that is important to be able to get the CPUC to act. There is now an active coalition of cities both in Northern and Southern California that are interested in this issue and are meeting on a regular basis and working together with the CPUC.

Ms. Young stated that we did try to change every area in the report having SFLAFCo as being the deciding factor and changing it to the City and County. The Executive Summary was redone right before changes were made so it still reflects the

SFLAFCo. In addition, any Commissioner or Public comments made today will be forwarded to R. W. Beck for review. Written comments will also be accepted and will be forwarded to R. W. Beck for analysis and inclusion in the report.

Commissioner Fellman asked Ms. Young for a sense of process for obtaining hard copies or reading the document on the web. Today's public comments do not have to be the definitive public comments on the report. We will be accepting public comment both in written and oral form and taking action on adopting a final report in the future.

Ms. Young stated that is correct. We have three public copies of the report that are available for the public to review at today's public hearing. Members of the public may also access the Draft Report on the web site or may review a copy at the Clerk of the Board's Office, Room 244. Copies are available for purchase for $25.00.

Commissioner Fellman stated that the report is labeled the AB 117 Implementation Plan, but in fact it is really an analysis and not the statutory implementation plan that is contemplated under AB 117.

Mr. Bell stated that the title was taken from an earlier draft of the scope. The final Report's title would be adjusted so that it doesn't appear that it is the actual implementation plan itself.

Public Comment

Mr. Dennis Mosgofian, delegate to the San Francisco Labor Council, representative of Local 4, the Newspaper Pressman's Local commented as follows. He is speaking as part of a group of public power advocates for aggregation. He hasn't read the report. He stated that it struck him as particularly odd that in the list of the grounds that established the interest in aggregation, what was left out was the overall community outrage at PG&E that occurred two years ago. It should be included that cumulatively the public was outraged and probably at a less vocal level still is given especially the latest move by the PG&E and the CPUC. The next thing that was noticed that was probably incorrect and because the R. W. Beck study had a narrower view than the public was the notion that Ms. Miller put forward that the City would in establishing aggregation start small with one neighborhood at a time. He has not heard that concept before from anybody who has either been advocating aggregation or any other aspect of efficiency renewables in public power or local control. It doesn't make any sense. The remark that we would have to gradually earn public acceptance--AB 117 has already been adopted by the legislature. That reflects public acceptance and Proposition H which established the ability of the City to enter into the renewables established public acceptance of moving forward on local control and changing the form of energy. The City should move forward in a global way, not one neighborhood at a time.

Mr. Robin David stated he is pleased with the report. It is clear from the summary that the door is open. It invites us to move forward and that the main problems or things that need to happen are acts of political will. All of the questions that have

been raised should be answered by moving in a decisive way. I think the report invites LAFCo and the Board of Supervisors to do that. The question that Supervisor Ammiano dealt with at least in a general way was the question of Charter amendments. Supervisor Gonzalez said either it is or it isn't. The fact that the Board of Supervisors can move and that is the whole framework of AB117 takes up the question of whether you need Charter amendments and whether you can purchase. Mr. Ed Smeloff discussed that as well. Now we just have to begin to take those steps to make it happen. He is also active with the group that Mr. Mosgofian spoke of and would be happy and anxious to support whatever moves are made in that direction.

The one clarification that is needed is that on one hand the R. W. Beck report says that there are ten to thirty million dollars to be saved and the only reference in the summary is that it is not in the shape of the load. Where is it going to be? Where the savings are should be clear in the report. In terms of broad acceptance, that is the decisive question. Will this save a customer money over what PG&E does? Gas prices, market prices. All of that is really a wash. PG&E buys gas. PG&E buys power. We would have to buy power. We have to establish that in eliminating the return to shareholders and the efficiencies that we could make here in the City that PG&E has no interest in making, would bring about a savings. It is important that that be emphasized in the presentation to the public.

Mr. Joe Boss stated that getting this report done is such a great step forward. We could sit and talk about how bad things have been and how evil people and evil forces come upon us. All we can do is move forward and really help San Francisco gain independence and environmental justice and everything else that goes along with it.

Mr. John Quinley from Novato stated that he has learned that with regard to posting a bond because there is a possibility of reentry charges, that the smaller cities that he has talked to would "freak out" at the thought of doing this. Isn't it possible that if the CPUC structures the rates correctly so that PG&E still collects all of the charges that it now collects from the Department of Water Resources (DWR) and other areas that there will be no reentry costs?

Mr. Bell stated that bonding is a decision of the California Public Utilities Commission. It is possible that given the structure and whatever arrangements may be made with PG&E that there wouldn't be bonding requirements. In most cases, in other similar areas particularly with regard to the Power Exchange or the ISO, there have been bonding requirements required of cities. Typically, that hasn't been too difficult to work around. That came up when the Power Exchange was first formed. Those issues can be resolved. With respect to the exit or reentry fees at a minimum, there probably would be some administrative or other type of costs that would be associated with customers moving back and forth. I would be surprised if the CPUC did not have an allowance for exit or reentry fees. The question would become how large those would be. To the extent Mr. Quigley identified that the consumer is covered one way or the other with paying those, those fees may not be

more than an administrative fee. Those are questions that would be worked out as the CPUC works its way through the process of reviewing these programs.

Public Comment Closed

Ms. Young stated the meeting on July 25th is set up from 2:00 – 4:00 to discuss energy conservation and wind power. We would have to select another date to allow the public to submit written comments and allow R. W. Beck to finalize the report. If we allow members of the public to submit written comments by July 1st, then we could have the hearing on Friday, August 8th or 15th. We would also be hearing a draft of the Feasibility Study that R. W. Beck is working on regarding the assets of PG&E at that time.

Commissioner Fellman requested that we allow a thirty-day public comment period for written comments.

Ms. Young stated that the public comment period would be through Friday, July 25th which would allow R. W. Beck if we had the hearing on August 15th, three weeks to turn around the final report. The public would have until Friday, July 25th to comment on the report in writing to our office either through e-mail and or mail to the Executive Officer of LAFCo. The notices for the August 15th hearing would be posted on the web.

Commissioner Schmeltzer asked if anybody who wanted to could bring written comments to the meeting of July 25th?

Ms. Young stated they could submit comments during the general public comment period at the end of the hearing.

4. Future Agenda Items.

   No further discussion was held.

5. Public Comment on Items not on the Agenda.

   No public comment was heard.

6. Adjournment.

   The meeting adjourned at 11:30 a.m.

San Francisco
Local Agency
Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT.

JUL 11 2003

SAN FRANCISCO
PUBLIC LIBRARY

AGENDA

Note: Each item on the Consent or Regular agenda may include explanatory documents, including Executive Officer report and public correspondence. These items will be available for review at City Hall, Room 244, Reception Desk.

Special Meeting
Friday, July 25, 2003, at 2:00 p.m.
City Hall, Legislative Chambers, Room 250

Chair: Commissioner Gonzalez; Vice-Chair: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate Members: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call.

2. Approval of Minutes for the Commission Public Hearing of June 20, 2003 (Discussion and Action Item).

3. San Francisco Local Agency Formation Commission (SFLAFCo), the Department of the Environment, and the San Francisco Public Utilities Commission's Public Hearing on Energy Conservation and Wind Energy.

4. Future Agenda Items.

5. Public Comment on Items not on the Agenda.

6. Adjournment.

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to LAFCo, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of LAFCo members. Any written comments should be sent to: Committee Clerk of LAFCo, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the Committee Clerk by that time may be taken directly to the hearing at the location above.

Cell phones, pagers and similar sound-producing electronic devices : The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (San Francisco Campaign and Governmental Conduct Code Sections 2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102, telephone (415) 581-2300, fax (415) 581-2317 and web site: www.ci.sf.ca.us/ethics.

DISABILITY ACCESS

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142. There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

To obtain a disability-related modification or accommodation including auxiliary aids or services to participate in the meeting, please contact Monica Fish, Commission Clerk to SFLAFCo by mail to San Francisco Local Agency Formation Commission, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7702, by fax at (415) 554-7714 or by email at Monica_Fish@sfgov.org at least two business days before the meeting.

Chemical-Based Products: In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Clerk of the Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7724, by fax at (415) 554-5784 or by email at Donna_Hall@sfgov.org.

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.ci.sf.ca.us/bdsupvrs/sunshine.htm.

Posted:

DOCUMENTS DEP
JUN 17 2003
SAN FRANCISCO
PUBLIC LIBRARY

NOTICE

The San Francisco Local Agency Formation Commission, the Department of the Environment and the San Francisco Public Utilities Commission invites you to attend its Public Hearing on

Energy Conservation and Wind Energy

Friday, July 25, 2003, from 2:00 p.m. - 4:00 p.m.

City Hall

Board of Supervisors Legislative Chamber, Room 250

1 Dr. Carlton B. Goodlett Place

San Francisco, CA 94102

A group of participants including experts will provide information on Energy Conservation and Wind Energy in San Francisco.

For more information, please contact Monica Fish, Committee Clerk, 415-554-7702.

Gloria L. Young, Executive Officer

SAN FRANCISCO LOCAL AGENCY FORMATION COMMISSION

San Francisco
Local Agency
Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT.

AUG 21 2003

SAN FRANCISCO
PUBLIC LIBRARY

MINUTES

Special Meeting
Friday, July 25, 2003, 2:00 p.m.
City Hall, Room 250

Chairperson: Commissioner Gonzalez; Vice Chairperson: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call

   Chairperson Commissioner Gonzalez called the meeting to order at 2:28 p.m.

   Members Present: Chairperson Commissioner Gonzalez, Vice-Chairperson Commissioner McGoldrick, Commissioners Hall, Schmeltzer and Fellman.

   Members Absent: Commissioner Ammiano.

   Gloria L. Young, Executive Officer was present.

2. Approval of Minutes for the Commission Public Hearing of June 20, 2003 (Discussion and Action Item).

   Vice-Chairperson Commissioner McGoldrick moved to approve the June 20, 2003 meeting minutes. The minutes were approved with no objection. Absent: Commissioners Ammiano and Hall. No public comment.

3. San Francisco Local Agency Formation Commission (SFLAFCo), the Department of the Environment (DOE), and the San Francisco Public Utilities Commission's (SFPUC) Public Hearing on Energy Conservation and Wind Energy.

   Gloria L. Young, Executive Officer introduced Department of Environment moderators, Julia Curtis and Cal Broomhead.

   Julia Curtis, Department of the Environment's Climate Division Manager, introduced the speakers and topics.

   Jeff Ghilardi, Director of Origination, GE Wind Energy Commercial Americas Group, discussed wind energy global trends, economics, existing United States wind installations, and existing and future projects in the United States.

   Fred Schwartz, Water and Power Resources Manager, (SFPUC) discussed assessment reviews and wind resource planning.

   Vice-Chairperson Commissioner McGoldrick inquired about the environmental issue surrounding the avian population. He discussed Channel 2's program on renewable energy and alternative energy. He asked if the bigger and longer blades are actually safer for the bird population than the quickly turning Altamont Pass type smaller blades. The program discussed the fact that there were no places that the birds could nest because the design of the housing was flat and unattractive for their needs and asked if there were other concerns.

   Mr. Schwartz answered that both of the issues that Vice-Chairperson Commissioner McGoldrick raised are real issues. The issues were quite exaggerated at the beginning of the industry. When you have a smaller turbine and quick-turning blades, it is more dangerous for the avian population. Now that there is a transition towards the larger machines that have longer throw and much bigger diameter blades and slower movement, the bird kills have dropped off to virtually zero. The other element mentioned was that instead of a lattice tower where there are lots of potential perches, they are going to a single sort of steel towers that don't have places to perch. Simple design can help mitigate the environmental factors.

   Arthur H. Rosenfeld, Commissioner, California Energy Commission (CEC) discussed trends and technologies in energy efficiency in California and nationwide, how they affect the global energy trends in the future, and global warming.

   Public Comment

   Arthur Feinstein, Conservation Director for the Golden Gate Audubon Society discussed the letter from the National Audubon Society that he helped draft. The following comments were made:

   He stated that he has been following and working on AV and interaction issues with wind turbines for the last ten years. He disagreed with Mr. Schwartz over the

changes in design proving that there is a reduction in avian death. In Altamont, 40 golden eagles and perhaps 500 red-tailed hawks each year are killed by those towers. The longer vanes and slower border speeds may solve the problem, but the science does not say that now. He talked to the California Commission on the Environment staff person within the last eight months specifically on this issue, and he indicated that there was no science to indicate that these new technologies are actually solving the problem. The birds that are being killed such as the golden eagles in Altamont are enlisted species. About 40,000 raptors that go through San Francisco are on the raptor migratory pathway . If you have a raptor chopper in their path, you are looking for a significant number of raptor deaths each year.

Commissioner Schmeltzer stated to Mr. Feinstein that his letter indicated that the most recent information available on the website was posted in May 2000 and asked if the information was from before the year 2000?

Mr. Feinstein stated that the information was from the year 2000, but he spoke with Mr. Dick Anderson, a staff person working on wind energy for the California Energy Commission this year about the status of the science. His response was that the science hasn't shown that these new technologies had reduced the impacts. In 1995, the National Renewables Energy Lab held a conference on avian interactions held in Denver, and he and Mr. Anderson were attendees. They both have been following this issue all along. The science is not there and the impacts are huge especially in San Francisco. A statement from the U. S. Fish and Wildlife Service was read on their guidance for wind towers as follows:

> "Avoid siting towers in or near wetlands or near known bird concentration areas which San Francisco has. Avoid areas with high incidence of fog or low cloud ceilings which San Francisco has."

Mo Mellady, Planet Check Radio News, asked how the average consumer resident of San Francisco can learn and go about installing their own wind power. She has an environmental radio feature and would like to bring this issue to the public.

Cal Broomhead, Resource Efficiency Program Manager, Department of the Environment, discussed efficiency and wind as it pertains to the City. In answer to Ms. Mellady's question: the DOE has been thinking about wind and received numerous questions from citizen residents asking how they can install wind. The Planning Commission has not been favorable to wind and has denied permits for installing wind machines in the City. There are a couple of projects that are in the works right now. NorCal wants to put up three 10KW wind machines on a little knoll above their transfer station. They have already met with the Planning Department and have outlined the problems they are going to have with wind, so they are looking at two strategies. One is to find out what other wind technologies are available that will not present the problems for birds. The second is the need to understand and educate ourselves and the various Commissions of the City on the importance of energy as an issue in general and what part wind should be playing in our energy future. There is no process and the DOE is working on a more streamlined and

cheaper process for installing solar. If the solar program gets up and running, the Department of Environment can turn their attention to looking at wind and certainly want to work with Audubon and other citizen groups in the City to go forward in an appropriate way.

Commissioner Fellman asked if any progress had been made with the solar building permit process to allow a more economical way to price the permits for solar installations.

Mr. Broomhead stated that progress has been made and doesn't want to make a statement that commits either the Building Commission or the Planning Commission to something that they had not yet passed. The DOE has had staff level conversations about the appropriate level of permitting for solar water heating as well as solar electric photo-voltaic systems and are moving forward. They are going through an education process right now with plan checkers and building inspectors. They have had a couple of site tours. Peter O'Donnell has been conducting this program and has a senior electrical engineer at Building Inspection working with them on this so progress is being made. A streamlined permitting process is being planned to be set up sometime this fall.

Commissioner Fellman asked if and when that goes into place, if wind would follow.

Mr. Broomhead stated that a follow-up would be a larger solar program where citizens or building owners in the City would be brought into a solar instaliation regime where we install how many kilowatts we can identify for that pilot program. It is a pilot that is in development now.

Gary Oto, Water and Power Resources Manager, (SFPUC) discussed energy efficiency projects at City facilities that the SFPUC has been working on such as City buildings, MUNI upgrades, LED traffic lights, and school district efficiencies.

Ann Kelly, Peak Energy Program Manager, Department of the Environment discussed the new pilot program called the Peak Energy Program (PEP) the department has initiated with PG&E.

Commissioner Schmeltzer stated that the LAFCO just heard from the City about the goals that they had for the programs they did and asked if there are kilowatt hour goals associated with each of these pieces.

Ms. Kelly stated that it is a team effort. The goals will be jointly attained with PG&E and the DOE. It is the same 16 megawatts. This is the way that the department is going to get funding to implement the program.

Public Comment

George Wagner, Wind Harvest Company made the following comments:

He stated that he has been in the wind business for a long time and remembered Senator Gore's quote that "something is very important right now—if we had 500,000 wind turbines in the mid-west—we wouldn't need 500,000 turbines or soldiers in the mid-east."

One hundred percent of electricity in America could be done by wind at this moment and existing technologies. He is glad that General Electric (GE) is in the market, but is worried when there is discussion about bringing the price down to two cents and one cent, etc. What drove Pentech and the other companies bankrupt was that they reduced the price and forgot that there were other elements where the price should be fair and high to support a non-subsidized industry.

His partner was the head of the California Wind Program and stated that he has learned a lot about the subject. All of the meteorology studies were done in the state in 1981. There was ten percent of California's energy by wind—they have done one percent. There is nine percent left identified and they know where it is--it is in boxes at the State Capitol, at his partner's home. There are a lot of sites in the state—the wheel does not have to be reinvented.

He recommended San Francisco as another area for vertical axis wind turbines on top of a high rise, which are proven. Buildings such as 525 Golden Gate Avenue have been examined and wind turbines can be put there. Many buildings could be powered here with clean power. The technology would not hurt anyone and it would be a nice elegant sculpture for the City. The California Energy Commission in their wind power study should study the top of some of the buildings in San Francisco because the wind is very good up there, but you would have to make the buildings stronger. Vertical axis wind turbines can be attached to buildings. That would be a very nice way to start the program under the $100 million dollar bond issue. It is going to be a few years off, but wind is the answer. A quote from GE's ad: "the answer is not blowing in the wind—it is the wind."

Commissioner Hall asked where the storage would be when you have the inverters or towers on top of the buildings.

Mr. Wagner stated directly into the building. Battery storage is another element. It can be done and is expensive. Unfortunately, in this industry cost is everything.

Commissioner Hall asked if what is being proposed is to eliminate the storage aspect and have it directly input into the grid. How many hours a day?

Mr. Wagner stated only when the wind blows and fortunately, it blows a lot of times in California as the wind blows when energy is needed. In England, it is the reverse. There it blows in the winter a lot. The winter winds are nothing in California. To answer the question, it would only be used when the wind is blowing.

Commissioner Hall asked assuming it is blowing 24 hours a day, the technology is such that it can be directly input into the grid.

Mr. Wagner stated that it is done all of the time. That's how all of the wind farms are--you put it into the main grid. You have the grid, you have all of the electrical components; it is not that difficult.

Francisco Da Costa, Environmental Justice Advocacy made the following comments:

The SFPUC and the SFDOE are fairly new organizations. Many years ago, the City founders created Hetch Hetchy. Hetch Hetchy not only supplies us with clean water, but it was also supposed to supply us with electricity as required by the Raker Act. Hetch Hetchy power is here supplying some areas including One Market Street. To save energy, we need to tap into our own resources and need to do justice to those people in Hunter's Point who are paying $300 to $600 a month when they can be given cheaper energy. The transmission lines within the City and County of San Francisco should be repaired because there is a lot of leakage. We need to look at the 1,500 businesses that are in the southeast sector and see how best to help the businesses with the antiquated machinery that they are using. That is where a lot of energy can be saved. The monies that are given to some of the agencies in the City all come from the ratepayers. This discussion and other workshops should be held so that the constituents of San Francisco could participate in the deliberations and understand exactly what is happening here. We don't need some people making decisions for everybody.

He attended the California Public Utilities Commission (CPUC) meeting a couple of weeks ago and addressed them. These people are powerful and they have no interest in wind or solar. They do have interests in big power plants. Even as we are talking about closing down Hunter's Point, Hunter's Point is asking for fifty million dollars from the ratepayer to fix their plant and another sixty million dollars to keep the power plant going. We need to be careful and evaluate and bring this factor to the constituents of San Francisco. Many smart people in San Francisco are following and monitoring everything closely.

Mark Stout, Sierra Club complimented the speakers and the informative presentations and made the following comments:

It is good to see that everybody is working together towards energy sustainability, which is something the Sierra Club is concerned with. He is a member of the San Francisco Executive Committee for the Sierra Club who has tried to get more engaged with energy policy on the local level. The Sierra Club is supportive of increased renewable energy production including wind power, but they have been in the past and continue to be concerned about avian kills and the impact on these endangered species.

He thanked Mr. Schwartz for making a presentation to them recently and the DOE for allowing them to look at the data as to where they are considering putting the turbines. They would like to have an opportunity to look at how that overlaps with

bird migration paths. Energy efficiency offers a great opportunity to help with the shut down of the Hunter's Point power plant by 2005. The DOE and the SFPUC are urged to move aggressively on these programs. Looking at the City's Electricity Resource Plan, they would like the City to consider going past the goals over the next ten years and by 2013 having 20 percent of the City's demands being met by new energy conservation measures. A decade is a long time. As Professor Rosenfeld showed there are a lot of technology opportunities that are going to be available that we don't know about now.

The Sierra Club supports the move towards more local democratic control of our power system and encourages the LAFCo to continue to support exploration of community aggregation and other public power options. LAFCo should not put that on hold and would like to see us continue to go down that path.

Minor Lowe, Instructor at the San Francisco Joint Apprenticeship Training Committee, a group that involves union electricians and signatory electrical contractors in San Francisco made the following comments:

The San Francisco Joint Apprenticeship Training Committee has a program on solar installations and can train about fifty people at a time and has been doing so for the past year. The Committee will be getting into wind power or any types of energies that come along, whether it is going to be sent back to the grid or stored in batteries. Electrical mechanics are being trained to prepare for the new energy-saving technologies. They have been involved with the City Hall Green Day seminars as a supporter. They are primarily in the commercial part of the industry, but they do train people for residential also, because this new technology will take a new understanding on how to apply. For example, solar power requires a lot more understanding of the direct current aspects of the Code. Everything that is done here is DC such as the "vampire" use and are using maybe 15,000 watts, perhaps over three hours, that's $6.00. All things to take into consideration.

Chairperson Commissioner Gonzalez thanked the speakers for their presentations.

All presentations are available at the Clerk of the Board's Office, City Hall, Room 244.

4. Future Agenda Items.

   No discussion.

5. Public Comment on Items not on the Agenda.

   No public comment.

6. Adjournment.

   The meeting adjourned at 4:30 p.m.

San Francisco
Local Agency
Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT.

AUG - 5 2003

SAN FRANCISCO
PUBLIC LIBRARY

AGENDA

Note: Each item on the Consent or Regular agenda may include explanatory documents, including Executive Officer report and public correspondence. These items will be available for review at City Hall, Room 244, Reception Desk.

Special Meeting
Friday, August 15, 2003, at 10:00 a.m.
City Hall, Legislative Chambers, Room 250

Chair: Commissioner Gonzalez; Vice-Chair: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate Members: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call.

2. Approval of Minutes for the Commission Public Hearing of July 25, 2003 (Discussion and Action Item).

3. San Francisco Local Agency Formation Commission (SFLAFCo) Public Hearing on the R. W. Beck Final Report on Community Aggregation (AB 117) Migden.

4. Future Agenda Items.

5. Public Comment on Items not on the Agenda.

6. Adjournment.

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to LAFCo, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of LAFCo members. Any written comments should be sent to: Committee Clerk of LAFCo, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the Committee Clerk by that time may be taken directly to the hearing at the location above.

Cell phones, pagers and similar sound-producing electronic devices : The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (San Francisco Campaign and Governmental Conduct Code Sections 2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102, telephone (415) 581-2300, fax (415) 581-2317 and web site: www.ci.sf.ca.us/ethics.

DISABILITY ACCESS

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142. There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

To obtain a disability-related modification or accommodation including auxiliary aids or services to participate in the meeting, please contact Monica Fish, Commission Clerk to SFLAFCo by mail to San Francisco Local Agency Formation Commission, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7702, by fax at (415) 554-7714 or by email at Monica_Fish@sfgov.org at least two business days before the meeting.

Chemical-Based Products: In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Clerk of the Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7724, by fax at (415) 554-5784 or by email at Donna_Hall@sfgov.org.

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.ci.sf.ca.us/bdsupvrs/sunshine.htm.

Posted: August 5, 2003

The San Francisco Local Agency Formation Commission invites you to attend its Public Hearing on the R. W. Beck Final Report on Community Aggregation (AB117) Migden

Friday, August 15, 2003, from 10:00 a.m. - 12:00 p.m.
City Hall
Board of Supervisors Legislative Chamber, Room 250
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

For more information, please contact Monica Fish, Committee Clerk, 415-554-7702.

Gloria L. Young, Executive Officer

SAN FRANCISCO LOCAL AGENCY FORMATION COMMISSION

DOCUMENTS DEPT.
JUL 22 2003
SAN FRANCISCO
PUBLIC LIBRARY

San Francisco
Local Agency
Formation Commission

Government Documents Section
Main Library (2 copies)

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT.

OCT 16 2003

SAN FRANCISCO
PUBLIC LIBRARY

MINUTES

Special Meeting
Friday, August 15, 2003, 10:00 a.m.
City Hall, Room 250

Chairperson: Commissioner Gonzalez; Vice Chairperson: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call

   Chairperson Commissioner Gonzalez called the meeting to order at 10:09 a.m.

   Members Present: Chairperson Commissioner Gonzalez, Vice-Chairperson Commissioner McGoldrick, and Commissioner Fellman.

   Members Absent: Commissioners Ammiano, Hall and Schmeltzer.

   Nancy Miller, Esquire was present.

2. Approval of Minutes for the Commission Public Hearing of July 25, 2003 (Discussion and Action Item).

   Vice-Chairperson Commissioner McGoldrick moved to approve the July 25, 2003 public hearing minutes. Commissioner Fellman seconded. The minutes were approved with no objection. Absent: Commissioners Ammiano, Hall, and Schmeltzer. No public comment.

3. San Francisco Local Agency Formation Commission (SFLAFCo) Public Hearing on the R. W. Beck Final Report on Community Aggregation (AB 117) Migden.

Nancy Miller, Esquire stated that the Commission has before them for review at today's public hearing R. W. Beck's Final Report on Community Aggregation (AB117) that incorporates comments that were received through July 25th and comments received from the San Francisco Public Utilities Commission (SFPUC) on August 7th.

Mike Bell, R. W. Beck discussed the Final Report's summary of changes from the June 20 hearing draft, conclusions, and next steps. The presentation that was given is available at the Clerk of the Board's Office, Room 244, City Hall.

Commissioner Fellman inquired as to what LAFCo's procedural steps should be on this plan, and if the first step would be to adopt the AB 117 Final Report.

Nancy Miller, Esquire stated that she would ask the Commission to direct her to prepare a Resolution to bring back to the next meeting adopting and accepting the AB 117 Final Report. Based upon the Commission's concurrence with the findings of the Report, it would be directed to be sent to the City and County of San Francisco for some of these next procedural steps. There are issues that the SFPUC has raised with regards to questions that have not been answered fully in the Report such as the governance structure. That is a determination that could be made by the City and County of San Francisco, not necessarily LAFCo.

Commissioner Fellman asked if that would mean to forward the report to the agencies through the Mayor or to the Board of Supervisors.

Ms. Miller stated to all of those because the agency is through the Mayor. You might want to have it go to the Board of Supervisors for their consideration and determination. It is up to the Commission how it should be done or it could be sent to both.

Chairperson Gonzalez asked what the time period would be in approving the plan.

Ms. Miller stated that there is no legal time period as the SFPUC has no timetable at this point for community aggregation. The next real step is to prepare the Implementation Plan that has no outside legal time requirement. There is time to develop further policies and studies.

Commissioner Fellman stated that the California Public Utilities Commission has not yet set a proceeding for community aggregation. There was one deadline in the adopted AB 117 regarding allocation of the public goods charges for communities that were interested in community aggregation, so we were forced to do a foot first procedural step to look at the distribution of the local goods charges to the local communities. That decision is pending this summer, but they have not yet set the

timetable or started a proceeding for the overall community aggregation or for implementation plan development.

Mr. Bell stated that was correct and a good point. He talked to a couple of the CPUC Commissioners and they have a number of issues that they are dealing with right now. They have been slow in addressing the community aggregation issues. He gets the impression that until a plan gets filed and an entity starts to request decisions and opinions, that it might continue to be slow in coming. There is a great deal of interest around the state on this issue, and there are a number of communities that are anxiously watching the process to determine what to do next.

Public Comment

Paul Phen from Local Power made the following comments: He stated that he wrote the AB 117 and worked on this policy nationally for ten years. As far as supplementing, the PUC will decide on August 21 between two draft decisions which conflict over the 2004-2005 energy efficiency funds whether or not the solicitation will be completely open to a city like San Francisco or will be limited to a percentage of the fund. Once that decision is made and if decided in San Francisco's favor, there will be a solicitation on September 22 at the SFPUC at which date the City will have the opportunity to apply for those funds. Under the current criterion, there is approximately eight million dollars per year.

Francisco DaCosta made the following comments: He stated that they had a Commissioner and Administrative Judge visit the southeast sector. Some points had been discussed among the Commissioners regarding the PG&E bankruptcy and the Judge ordered one of the Commissioners to work with PG&E. The public needs to know the details and how it affects the community at large, especially the community from the southeast sector.

The previous speaker explained rather briefly that right now the CPUC Commissioners are taking comments from those affected. A lot of the constituents of the City and County of San Francisco that are watching this hearing know they have until August 20 to submit their comments before the CPUC Commissioners. A lot of the issues that are being discussed here are online, but a lot of the final issues are not available to the community. The community doesn't have the details in order to talk to their representatives. It's difficult to keep up with what is happening because the Judges and the Commissioners have not decided what the final issues are. The public is supposed to participate in this final energy plan on behalf of the City. The constituents are supposed to come up with something on behalf of the City and there is no master blue print to address not only renewable energies but the role of PG&E, Mirant, and the transmission lines. We need to learn from what happened yesterday on the East Coast.

Ed Smeloff, San Francisco Public Utilities Commission stated that the CPUC is going to have a proposed rulemaking that will be on the agenda of their August 21st meeting. There will then be an opportunity for interested parties such as San

Francisco to review and comment. It will set up a number of issues. The most important issue in the immediate term is to get access to PG&E's information on their customers and the load within San Francisco so we can do more detailed analysis of the cost of community aggregation. We have been talking offline with staff at the CPUC about what we think the need today is going to be. We haven't seen the draft decision, so we will need to see what they are proposing and respond.

Commissioner Gonzalez asked Mr. Smeloff if it makes more sense to wait on the approval of the Plan that was prepared by R. W. Beck.

Mr. Smeloff stated that this is a consultant's report. The Commission could vote to accept the plan. There would be additional steps. Pat Martel, the General Manager for the SFPUC sent a letter to the LAFCo explaining some issues that are relevant to the PUC. A big issue for PUC is that if this is something the Board and the community wishes to proceed with, SFPUC would need to develop the appropriate staffing levels to carry this out efficiently. Currently, they do not have all of the expertise and the resources they would need to do this official activity. She expressed concerns that a lot is being asked of the SFPUC right now to carry out the Capital Implementation Program, to rebuild the Hetch Hetchy system, to develop a Master Plan for the sewage treatment facilities in the City, the site, the Williams and Combustion Turbines. The SFPUC would need to add staff to take this project on too.

The Commission without objection agreed to accept the Plan and to thank Mr. Bell for his hard work.

Commissioner Fellman asked for the next procedural steps. She recommended that the LAFCo adopt a Resolution to be forwarded to the Board of Supervisors and Mayor for consideration. As Mr. Smeloff stated, there would be issues with respect to funding, and the policy requires a level of staffing that does not currently exist.

Chairperson Gonzalez stated that this should be discussed at the next LAFCo meeting and asked Ms. Miller to convey to the Executive Officer to prepare the Resolution.

Ms. Miller concurred.

4. Future Agenda Items.

Ms. Miller stated that the Draft Electric Feasibility Study is due to be discussed the middle or the third week of September. LAFCo's potential next hearing dates are September 26, October 3 or October 17. That is the only agenda item that she is aware of other than the Resolution that was discussed.

Chairperson Commissioner Gonzalez asked that the Executive Officer contact the LAFCo members for a meeting date.

No public comment.

5. Public Comment on Items not on the Agenda.

   No public comment.

6. Adjournment.

   The meeting adjourned at 10:38 a.m.

San Francisco
Local Agency
Formation Commission

DOCUMENTS DEPT.

SEP 17 2003

SAN FRANCISCO
PUBLIC LIBRARY

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

AGENDA

Note: Each item on the Consent or Regular agenda may include explanatory documents, including Executive Officer report and public correspondence. These items will be available for review at City Hall, Room 244, Reception Desk.

Special Meeting
Friday, October 3, 2003, at 10:00 a.m.
City Hall, Committee Room 263

Chair: Commissioner Gonzalez; Vice-Chair: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate Members: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call.

2. Approval of Minutes for the Commission Public Hearing of August 15, 2003 (Discussion and Action Item).

3. San Francisco Local Agency Formation Commission (SFLAFCo) Public Hearing on the R. W. Beck Draft Report on the Electric Financial Feasibility Study.

4. Resolution adopting the R. W. Beck Report on Community Aggregation (AB117) Migden (Action Item).

5. Future Agenda Items.

6. Public Comment on Items not on the Agenda.

7. Adjournment.

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to LAFCo, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of LAFCo members. Any written comments should be sent to: Committee Clerk of LAFCo, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the Committee Clerk by that time may be taken directly to the hearing at the location above.

Cell phones, pagers and similar sound-producing electronic devices : The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

DISABILITY ACCESS

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142. There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

To obtain a disability-related modification or accommodation including auxiliary aids or services to participate in the meeting, please contact Monica Fish, Commission Clerk to SFLAFCo by mail to San Francisco Local Agency Formation Commission, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7702, by fax at (415) 554-7714 or by email at Monica_Fish@sfgov.org at least two business days before the meeting.

Chemical-Based Products: In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Clerk of the Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7724, by fax at (415) 554-5784 or by email at Donna_Hall@sfgov.org.

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.ci.sf.ca.us/bdsupvrs/sunshine.htm.

Lobbyist Registration and Reporting Requirements
Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign and Governmental Conduct Code Section 2.100) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102, telephone (415) 581-2300, fax (415) 581-2317 and web site www.sfgov.org/ethics.

The San Francisco Local Agency Formation Commission invites you to attend its Public Hearing on the

R. W. Beck Draft Report on the

Electric Financial Feasibility Study

DOCUMENTS DEPT
AUG 21 2003
SAN FRANCISCO
PUBLIC LIBRARY

Friday, October 3, 2003, from 10:00 a.m. - 12:00 p.m.

City Hall, Committee Room 263

1 Dr. Carlton B. Goodlett Place

San Francisco, CA 94102

For more information, please contact Monica Fish,

Committee Clerk, 415-554-7702.

Gloria L. Young, Executive Officer

SAN FRANCISCO LOCAL AGENCY FORMATION COMMISSION

Posted: August 21, 2003

San Francisco
Local Agency
Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT.

DEC 1 8 2003

SAN FRANCISCO
PUBLIC LIBRARY

MINUTES

Special Meeting
Friday, October 3, 2003, 10:00 a.m.
City Hall, Room 263

Chairperson: Commissioner Gonzalez; Vice-Chairperson: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call

   Chairperson Commissioner Gonzalez called the meeting to order at 10:14 a.m.

   Members Present: Chairperson Commissioner Gonzalez, Vice-Chairperson Commissioner McGoldrick, Commissioners Ammiano and Fellman.

   Members Absent: Commissioners Hall and Schmeltzer.

   Gloria L. Young, Executive Officer and Nancy Miller, Esquire, present.

2. Approval of Minutes for the Commission Public Hearing of August 15, 2003 (Discussion and Action Item).

   Commissioner Ammiano moved to approve the August 15, 2003 public hearing minutes; Commissioner Fellman seconded. No public comment. The minutes were approved with no objection. Absent: Commissioners Hall and Schmeltzer.

3. San Francisco Local Agency Formation Commission (SFLAFCo) Public Hearing on the R. W. Beck Draft Report on the Electric Financial Feasibility Study.

Gloria L. Young, Executive Officer reported that Mr. Mike Bell, from R. W. Beck would be presenting the recommendations and findings from the Draft Report on the Electric Financial Feasibility Study. The report was released last week and posted on the LAFCo website. She recommended that the LAFCo Commission set a future public hearing date for public feedback on the report and set a deadline date for public comment. A date would then be set for the Commission to approve the Final Electric Financial Feasibility Study.

Chairperson Commissioner Gonzalez asked if November 14 would be the scheduled hearing date, December 5 as the deadline for written public comment, and December 19 as a date to approve the final plan.

Ms. Young stated that the Commission could cancel the scheduled LAFCo meeting of December 5 if there are no items. November 14 would be the public hearing date for this report and December 5 may be the deadline for public comment.

Nancy L. Miller, Esquire confirmed that would be the public hearing process that should occur in order to allow sufficient public comment.

Mr. Mike Bell, R. W. Beck discussed the original Energy Services Study prepared in July of 2002 along with Henwood Energy Resources and Flynn Resources that looked at the various energy options for the City and County of San Francisco, evaluated those options, identified risks, benefits, and associated issues. That study laid the groundwork for the second study, the AB117 Assessment Report that was completed in August and on the calendar for adoption today.

ELECTRIC FINANCIAL FEASIBILITY STUDY OVERVIEW

The Draft Electric Financial Feasibility Study being discussed today is focused on the financial feasibility of acquiring the transmission and distribution system within the City and County of San Francisco. This study looks at the technical assessment of the system facilities itself and economic analysis of what the economics would be to acquire those facilities, a section on risk management issues that would need to be considered should the City and County move forward, and conclusions and recommendations.

TECHNICAL ASSESSMENT

On the technical assessment, R. W. Beck looked at the transmission facilities in the City which consists of five 115 kV circuits and two 230 kV circuits. Six substations were also looked at within the City as identified here that vary anywhere from 230 kV down to 12 kV stations.

Distribution facilities within the City: It is important to note that a complete evaluation of the system was not done. It was looked at to come up with a high-level planning assessment of what those costs would be. That included looking at the 4 kV distribution system and evaluating that throughout the City. About 75 percent of the system in the City is about 4 kV, twelve kV distribution system as well as the network system that serves the downtown urban part of the City.

Question: Chairperson Commissioner Gonzalez confirmed with Mr. Bell that a detailed appraisal was not done as part of this report.

Answer: Mr. Bell stated that an appraisal at this stage would not be a cost effective thing to do. You would want to find out the range of value here and determine whether it made sense to incur the cost of doing an appraisal which is a time-consuming and costly effort.

Statement: Chairperson Commissioner Gonzalez stated that there are cost analysis in the report and potential ranges that are accurate in that they provide some measure.

Answer: Mr. Bell stated it is an actual physical on-site review of the system and facilities, the transmission distribution substations, etc. They have high confidence that the value of the system identified is in the range identified in this report. There was considerable work done in setting the bookends from the low end of the value to the high end of the value.

Generation: R. W. Beck also looked at Hunter's Point Units 1 and 4. There was some consideration of those costs later in this analysis.

Estimate of System Value: In order to come up with the system value, a couple of different methodologies were used. They looked at the original cost less depreciation or what the book value of the system would be less depreciation. They also looked at reproduction costs new less depreciation. Historically as acquisitions have moved forward, those have provided boundaries or the guidelines by which ultimate value is assessed. Typically, the original cost is the low end. The calculation and reproduction costs are the high end of the calculation. They also looked at a couple of different depreciation methods--one being straight line depreciation and the other present worth or sinking fund depreciation. That ultimately makes a difference in the value.

Question: Chairperson Commissioner Gonzalez asked if the straight line depreciation present worth are subsets of the other two.

Answer: Mr. Bell stated yes. The low value is original cost at a straight line depreciation. The high end of the value is the reproduction cost with present worth depreciation. They tried to establish what those bookends are from what the low cost value is to what is the highest using accepted evaluation and depreciation

methodologies. If there is a contested acquisition, these are issues that take a lot of time in terms of establishing what the overall value of the system is.

System Value: Using those boundaries, the system value that was established was from the low amount of $600,000,000 up to the high amount of $1,400,000,000. The lower value was used at original cost with straight-line depreciation. The high value, the $1,400,000,000 would be reproduction costs new at the present worth depreciation. That's quite a difference there. That's not unusual. When these studies were performed and different methodologies used, it's not unusual to see a three to one difference between the low valuation and the high valuations.

Vice-Chairperson Commissioner McGoldrick asked Mr. Bell if he would be discussing the possible severance costs.

Severance Cost: Mr. Bell stated the next issue looked at in the technical assessment was the calculation of severance cost. They actually looked at three different cases with regard to severance. The least cost method would be establishing fringe agreements with PG&E to service customers that are right on the fringe of the San Francisco/San Mateo line. There are a number of customers where power lines do not necessarily follow City boundaries. They move back and forth, in and out of the City and County between San Francisco and San Mateo. Fringe Agreement analysis or costs would assume that the City and County would work in agreement with PG&E whereby there would be no or little change in the physical construction of those facilities that the billing of customers in that area would be handled mostly through paper transaction. That is not unusual in terms of electric service areas that abut up against one another. However, in the case of an acquisition, particularly if the seller is unwilling, those fringe agreements are generally difficult to obtain.

They also looked at another evaluation of severance which was primary metering which was rather than severing and cutting those lines every where the City and County border exists, they would put meters in place at the 4 kV and 12 kV levels to measure the electricity flow and ultimately the billing through those facilities. As you can see from this analysis, that is roughly 3.8 million dollars in order to accomplish that severance at a primary metering level.

The cost of complete separation is 42.7 or 42.8 million dollars. That would be total and complete severance. Essentially, the City and County of San Francisco serving every facility within the City and County and then PG&E serving every facility south of San Mateo. There is a big difference in those figures depending upon which option is ultimately employed.

Question: Vice-Chairperson Commissioner McGoldrick asked Mr. Bell if he was talking about the possible severance and metering beginning north of the Martin substation and within the City.

Mr. Bell stated that was correct.

Question: Vice-Chairperson Commissioner McGoldrick asked if the cost would be seven or eight million.

Answer: Mr. Bell stated that the full severance is 42; the 4-kV metering would be 3.8.

ECONOMIC ANALYSIS

Major Assumptions: The major assumptions that went into the economic analysis within the report were identified. For the power supply component, the California Energy Commission forecast done in May of this year was used. For the distribution system costs, the PG&E general rate case for 2003 filed in August was used. They essentially used the PG&E distribution rates. Transmission component—the California Independent System Operator Tariffs were used in order to calculate those charges. They also looked at a range of customer responsibility surcharges or more commonly known as non bypassable charges. Those include the California Department of Water Resources contract costs, bond repayment costs for power supply procurement, and a number of other items including:

- Nuclear decommissioning costs;
- Trail competitive transition charge, which is essentially the qualifying charges for PG&E;
- FTA charges, which is the bond repayment on the 10 percent cost reduction of PG&E's rates some time ago;
- Public purpose programs--the public purpose charges, the 2.85 percent that are ongoing in the PG&E rates.

Those were the major assumptions used in calculating the economic analysis.

Base Case Results: The results of the economic analysis the low cost case where you had the $600,000,000 acquisition price and the 1.9 million fringe area severance cost worked out to be 1.6 billion dollars in twenty-year net present value costs. The mid-cost range where you are assuming a $1,000,000,000 acquisition cost and the 3.8 million severance resulted in 1.3 billion present value savings. The high cost valuation at $1.4 billion with the high-cost severance of 42.8 million resulted in $823 million in present value savings. They thought there was quite a range on these numbers.

Question: Vice-Chairperson Commissioner McGoldrick asked what the period of time was.

Answer: Mr. Bell stated over twenty years.

Sensitivity Analysis: The next thing they thought that would be helpful to do would be to run some sensitivity to see if some of those assumptions were changed, what would happen to the bottom-line results. They ran two sensitivity cases. The first

scenario they ran they assumed that the Energy Commission's forecast decreased by 20 percent in terms of power-supply costs. They assumed a fairly high growth level of two percent for San Francisco load, and they used the low cost valuation or the 600 million acquisition. This is extreme low-end sensitivity.

The second scenario they went to the opposite extreme. Let's assume that the Energy Commission forecast is low and increase those prices by 20 percent. Let's assume over the twenty-year period that there is no load growth in San Francisco—that the existing load stays the same as today and let's use the high-cost valuation and high-cost severance cost. Both of those scenarios were run.

Sensitivity Analysis Results: Under that analysis, the Scenario 1 which was the low cost, the savings actually increased to $2.575 billion. Under the assumption that the energy cost increased and the load growth stayed stagnant, there is actually a net present value loss of $104 million in that case. Essentially, the high to low was taken and they expanded those extremes out even further to see what would happen with the analysis.

RISK MANAGEMENT

There is a section in the report dedicated to risk management. As part of other work that R. W. Beck is performing for the San Francisco Public Utilities Commission, they are doing risk management analysis for the PUC and want to identify some of the work that is taking place on that front and how it applies to risk issues associated with this study. They are about to start Phase 2 of the study with the PUC where they are doing an enterprise-wide risk assessment. That second phase is the risk management strategy for existing resources with the PUC. The part of that work will also establish the risk matrices and quantitative tools to be used to manage risk within the PUC, the development of a policy and procedure manual and ultimately implementation support. That's important in that the PUC already recognized, absent this whole process, that they need to be able to manage their risk particularly associated with Hetch Hetchy and existing resources, existing contracts, and manage those effectively. This whole scenario adds a lot of complexity and a whole new dynamic to that.

High-Level Risk Inventory: Issues were identified from a risk management standpoint that the wires acquisition would need to be introduced into the equation. Those would include:

- Volumetric risks such as power generation and energy sales;
- Market Price risks such as the price of gas to fuel power plants and the price of power in the market
- Operational risk in terms of running a transmission and distribution system;
- Regulatory risk in terms of orders and legislation that may get passed from time to time that has an impact on the system;

- Institutional risk such as working with contracts with other entities and making certain adequate credit provisions are there so it doesn't create a danger to the City and County in terms of working with others;
- Delivery risk—transmission and distribution services within the City;
- Political risk in terms of those issues that impact particularly public organizations.

Question: Commissioner Fellman stated that Mr. Bell had identified the risks and asked him to identify what the underlying assumptions were with the type of control that the City and County would impose on the transmission system. Was it being assumed that there would be community aggregation, or municipal utility, or the City and County would buy the lines and let PG&E service its customers?

Mr. Bell stated for purposes of the work that they are doing now for the PUC, that deals with the system as it is today without any of these issues moving forward. It is essentially how would they manage their risk in today's environment to successfully establish the policies and procedures necessary to run that business day to day. Today, he is identifying the fact that if the City and County moves forward with acquisition, there are additional issues from a risk standpoint that would need to be addressed, assessed, and planned for. These are an example of what those would be.

Commissioner Fellman asked if an underlying assumption is that the City and County of San Francisco would be serving the customer's load.

Mr. Bell stated in this case, yes. The transmission piece is through the CALISO; the distribution piece would be the City itself. That's how that analysis was used within this report.

Commissioner Fellman asked who would be the load-serving entity for the City and County residents should the City and County choose to take over the system.

Mr. Bell stated in this report, the assumption is that the City and County is serving the load of all of the accounts within the City and County.

Commissioner Fellman asked if that step would have to be taken as a precursor to initiating acquisition and triggering the analysis that was done.

Mr. Bell stated that if he is understanding the question correctly, the answer is yes.

Commissioner Fellman stated that that the City and County would have to take a step of establishing itself as a load-serving entity in order to serve the customer. Once it did that, it would take another step—then it would be a two-step process before we could look at the acquisition.

Mr. Bell stated that was correct.

CONCLUSIONS AND RECOMMENDATIONS

The economic analysis indicates that there are substantial savings almost under every alternative that was looked at. The only one that didn't show net present value savings was the one where we increase the CEC forecast by 20 percent and held the load growth constant under the most costly scenario. City-owned resources could potentially provide savings in addition to that amount. They did not factor in at this point the Williams turbines or the Hetch Hetchy power that may be available to the City. What they tried to do in this analysis is basically be as conservative as possible in coming up with the forecast. Purchase of the system increases the City's control over investments and reliability. That is something that provides the City with the greater opportunity to manage its future, not so much as the power-supply is concerned, but also the transmission distribution side of the system. The age and condition of the system presents risk. This point would need to be considered and thought through particularly as it relates to acquisition price.

The age of the system in San Francisco appears to be considerably older than the PG&E system average. The PG&E system average if you take a look at their Federal Energy Regulatory Commission filings would indicate that it is about 1987 or thereabouts in terms of the system average. Much of the system in San Francisco was built in the 50's and 60's and a lot of it is old 4 kV distribution facilities. One of the concerns that need to be considered is the cost of repair, replacement, and renewal of those facilities. It is going to be more costly to do that work given the age and condition of the system than buying something that is relatively a new resource. The overall consideration that needs to be highlighted and given some thought particularly as it relates to acquisition price.

Changes in load, market prices, retail rates, and other cost impact the savings. As you vary those assumptions, that also has an impact over what those savings amounts are. As you can tell from the analysis that was done, they stretched those pretty far in terms of the scenario analysis.

It is unlikely there will be a willing seller in this case, which adds all kinds of other additional risks in terms of acquisition. The process would likely be lengthy and costly and should the City and County desire to move forward, they would need to be pretty certain that there is full commitment to take on that kind of opposition.

Recommendations: Given the outcome of the economic analysis and the projected savings, it would be worthwhile to proceed with a more detailed appraisal of the existing system to narrow those boundaries in terms of acquisition price and severance cost to what might be a more likely actual cost of acquisition. There are two reasons—1) the economic benefit; and 2) an appraisal would be beneficial in terms of determining which facilities should be acquired at what price in the process. The age and condition of certain parts of the system are pretty old and as part of the appraisal process you might want to look at actually overbuilding or creating some new services as part of that process should it move forward.

Question: Chairperson Commissioner Gonzalez asked what the life span is of a detailed appraisal?

Answer: Mr. Bell asked if that means how long the appraisal would be accurate?

Statement: Chairperson Commissioner Gonzalez stated that was correct.

Answer: Mr. Bell stated a system of this size and when most of the facilities were put in, the appraisal would probably be good for about five years or longer. It wouldn't be that difficult to update. Once you have that information in that database it would be easier in five or seven to eight years and go back and update it. It wouldn't be nearly what the initial cost would be.

Question: Chairperson Commissioner Gonzalez asked if a cost could be assigned to that recommendation or who would do an appraisal.

Answer: Mr. Bell stated he would go to their appraisal division and come back with a cost and time estimate and report back at the next meeting.

The final recommendation is that he does not believe this study has an impact on the AB 117 aggregation. These issues are above and beyond that. They recommended that that process work forward at its own pace. This should not limit that or have an impact on that particular schedule.

Question: Commissioner Fellman asked a question regarding the relationship of the AB117 work to an acquisition. Under AB 117, would the City have the right to do the acquisition and continue as a community choice aggregator?

Answer: Mr. Bell stated that his interpretation would be that the City doesn't under AB117 have the right for the wires acquisition. That is a separate process. But the City under AB117 could become the power supply component of the billing. The process regarding transmission distribution customer services and care is outside of that process.

Question: Commissioner Fellman asked if AB117 precludes the government entity from acquiring the distribution and transmission.

Answer: Ms. Miller stated that it does not preclude it. She agreed with Mr. Bell in terms of parallel processes--you could be going forward with both.

Question: Vice-Chairperson Commissioner McGoldrick stated that he understands that there is a 96% chance that we would break even or actually save money if there is a 2.6 billion figure at the top end and a 100 million figure at the bottom end. That spread of numbers equals a 96 percent chance of coming out in the black.

Answer: Mr. Bell stated that he had not calculated the percent but given the results that we see, it is definitely up that high.

Statement: Vice-Chairperson Commissioner McGoldrick stated that is a positive indication in terms of savings.

Statement: Mr. Bell stated particularly given the assumptions are as conservative as they are.

Statement: Vice-Chairperson Commissioner McGoldrick stated even looking at the most conservative figures, we have a 96 percent chance of being ahead by a dollar or ahead up to 2.6 billion.

Chairperson Commissioner Gonzalez thanked R. W. Beck for their outstanding work.

R. W. Beck's presentation is available at the Clerk of the Board's Office, Room 244, City Hall.

Public Comment

Mr. Matt Lonner, PG&E Government Affairs, stated that when he last testified before LAFCo, he recommended against funding of the study on the basis that municipalization of the system would not benefit the City as such pursuits are not among the priorities for San Franciscans. The people of San Francisco would be better served by the work that we all could do together. The Draft Report by R. W. Beck does nothing to alter those recommendations. This study is grossly misleading. While we have had only a few days to review it, we have found a number of errors that seriously undermine the conclusions and value of this study. For the purposes of this meeting, he will discuss three of them:

1. The revenues are significantly overstated. R. W. Beck's estimate of usage in San Francisco is about 15 percent higher than the power actually consumed by residents and businesses in San Francisco. In addition, Beck's estimate of rates charged by PG&E are higher than those of PG&E today, which are expected to drop in 2004. The result of this correction alone will drive all but the most optimistic case into the loss column by reducing the net present values on the order of 1.4 billion dollars.

2. On the cost side, the forecasted market prices for power Beck used in the study period are strikingly low. Beck starts with an estimated market price for power of 0.3 cents per kilowatt hour in 2003 while today prices are about 50 percent higher. Any Dow Jones Index shows that current price is about five cents. He would be curious to find where you could find other than Hetch Hetchy power, power at 0.3 cents. A more realistic forecast for the price of power reduces net present values further by another 350 million dollars. Also, on the cost side the capital additions assumed for San Francisco such as capacity, reliability enhancement, under grounding, all those kinds of things are less than half of the amounts that PG&E currently spends in San

Francisco. This study also states that it is likely that this City's electric rates would need to be at or higher than PG&E's in early years after takeover in order to pay off the debt necessary for acquisition. It acknowledges a positive net present value in all cases are largely a result of higher net incomes in years later after the non-bypassable charges have been discontinued. To quote from the report, in early years of the purchase, the City would have a difficult time maintaining both a positive net income and rates that are competitive with PG&E. It also fails to recognize that PG&E's rates will go down to reflect the fact that PG&E will no longer incur these non-bypassable charges either.

3. The third point focuses on the acquisition costs. Beck develops three estimates for the value of the PG&E system. The low value is derived by estimating the original cost of the system less depreciation. However, since the PG&E system is not for sale, if the City moved forward with condemnation it would have to pay a current fair market value as California law requires. Book value or historic cost is not among the permitted methods for estimating the value of property allowed in legal proceedings. Common sense tells you that you wouldn't be willing to sell your house for what you paid twenty years ago. In a spirit of a balanced analysis, I will point out that Beck made incorrect assumptions that actually hurt the cause for a takeover. Beck shows the fixed transition amount running for eleven years longer than the charge expected to exist. Correcting this does not change the overall conclusions.

Mr. Lonner handed out and discussed a chart that is available at the Clerk of the Board's Office, Room 244, City Hall and described the chart as follows:

Here is R. W. Beck's best case looking at low, medium, and high value. If you go through the adjustments that he pointed out at the very first adjustment, it already goes into the red and continues to deteriorate from there. He corrected it upward for the Commission's benefit as he discussed. A more detailed analysis would be provided as they have only had a week. If there were a strong case to be made on the merits, R. W. Beck would not have had to rely on these best-case scenarios.

Question: Vice-Chairperson Commissioner McGoldrick asked Mr. Lonner to walk through the chart.

Answer: Mr. Lonner elaborated on the chart as follows:

The blue represents the low value for acquisition and the yellow represents the high value. When you correct the mistakes made in assessing the revenues and the rate structure, it goes from the range in the black as you indicated down to about a $5,000,000 loss in that range. When you correct it for the market price of power, it drops down again and goes further in the red and then when you drop down again for the capital expenses, the reliability enhancements, improvements

to the system, that drops down again. What you are talking about is somewhere in the neighborhood of over $1,000,000,000 of a negative net present value. The realistic view of taking over the PG&E system is not the 96 percent certainty that Commissioner McGoldrick inquired about—it is closer to being in the red. The general point that is being made is that this is a very risky and uncertain venture.

Question: Vice-Chairperson Commissioner McGoldrick asked Mr. Lonner to submit more detailed information in writing.

Statement: Chairperson Commissioner Gonzalez advised Mr. Lonner that the expected LAFCo meeting date is November 14.

Mr. Bell stated that he would disagree with Mr. Lonner's comments. The report clearly states where the information was retrieved. In the case of the sales and revenues, it was actually from data that PG&E supplied to the City Public Utilities Commission. If the PG&E representatives or anyone else feels that there is something inaccurate or not correct, it would be helpful to specifically know what those items are. Same is true for the energy forecast. We used Commission forecasts which are referenced in the report. For each of those items, it would be helpful to know what the data is so they can address that as it goes further into the process.

Statement: Chairperson Commissioner Gonzalez advised Mr. Lonner to indicate sources when the written report is prepared.

Answer: Mr. Lonner stated that they would need about two to three weeks to drill deep into R. W. Beck's analysis and they would be happy to point Mr. Bell and R. W. Beck in the right direction.

Statement: Commissioner Fellman stated that when the commenting schedule was discussed she anticipated there would be controversy over the R. W. Beck report. She would like to reserve the right to talk about how it can be best handled so full information is received before the next public hearing.

Mr. Marvin Feldman, energy economist, stated he is not under contract to any parties at the moment. He is a citizen of San Francisco. He inquired about the basis for the appraisal as follows: How would an appraisal reduce the uncertainty regarding the judicial basis on which the cost of acquisition would be made? Would an appraisal narrow the range of uncertainty of the basis, not the underlying physical value of the equipment, but the judicial uncertainty regarding acquisition? Does this analysis conducted on a business as usual versus a City takeover basis with such issues as the San Francisco reliability requirement be different if the City owned the system versus if in the present case the system costs are averaged out over broad territory and the San Francisco operating criteria is factored in, but we don't directly pay it? How renewable energy supplies would factor into this risk analysis with and without City takeover?

Ms. Angela Alioto stated that this is a historic day for San Francisco because finally after many years we are working to understand what public power would cost. This is the first document she has seen in her career that gives us real numbers. She is excited that this item will be continued to November 14 so there is an ability to analyze this document. As a person who has worked on eminent domain cases in the courtrooms, that reasonable compensation for fair market value with large corporations like a corporation the size of PG&E depends on the filings they make of their lines. There are documents filed with the IRS and the Franchise Tax Board that state exactly what they PG&E believe is the value of their utilities both infrastructure, both underground, and above structure. They give the lowest amount because they want to be taxed the least. In analyzing them in a domain analysis, you have to look at what they believe the fair market value is. A lot of their infrastructure is corrupted to the degree that it would have to be replaced which means that theirs is useless. This is an argument that many public power advocates have been hearing for years through the press that a lot of their utilities are useless. They have to raise the ratepayers. That was their argument in Sacramento. It has been that so much of their facilities are in fact corrupted to the degree that they are not usable, in which case there is no market value. We just take back our franchise fee which we gave in the late 1920's which she tried to take back ten years ago and were not successful. If they took that back, it would not cost San Franciscans anything. She thanked SFLAFCo for having this hearing and requesting this feasibility study by Mr. Bell, which she considers to be a serious expert in this field and she looks forward to being back next month after analyzing the report.

Mr. Doug Comstock stated that we heard it here first, PG&E is going to lower its rates. He is going to hold his breath until that happens. That is very exciting for ratepayers in San Francisco. He wanted to thank this Commission for having this study. It's a bright spot in San Francisco's future and is excited about it as a public power advocate for many years. There is a lot of new information here that we need to look at and recommends that we have one more or two public hearings on this item. He requested that as written comments are submitted that they be available for the public at the Clerk's Office and that responses to this report can be received from both PG&E and public power advocates.

Mr. Bruce Brugmann, Bay Guardian stated that he is conflicted on this since he looks out his office window and sees the Mirant power plant and the possibility of four peakers and all kinds of problems resulting from the shenanigans of PG&E all of these years. He was also going to say that this is such a boring report by Mike Bell, R. W. Beck that he wondered why he has been pushing for it all of these years. But he is establishing a new principle here in San Francisco that the more boring the report, the more charge, the more drone, this R. W. Beck magic, the more explosive are the comments. We even brought out PG&E this time. Finally PG&E appeared and they have charts, lower rates, and state that all of the public power people have been wrong all of these years. All of the public power people that want to bring public power back to San Francisco and get the benefits that all of us have been talking about. It is good to see them here. But, why not ask them a couple of questions. How much annual profit is PG&E making each year from what a lot of us

are considering an illegal monopoly in the City and County of San Francisco? How much will their rates go up? Obviously there is lots of money here. That's why they are down here fighting for this and that is why they spent hundreds of millions of dollars all these years to squelch the slightest move for public power.

That's why this is a historic moment here in San Francisco history. We have the LAFCo Commission moving with the study and R. W. Beck here laying out the figures. We have three candidates for Mayor that publicly and visibly are on the record to move forward on public power. This is a historic moment. But, this is only part of the issue. R. W. Beck has done a good study, left to analyze the figures and so forth. But, obviously we need to conclude the study and R. W. Beck needs to be kept in the bullpen because PG&E is going to send in everything they have got that would happen if we have public power in San Francisco as federal law and the supreme court mandates. We have to continue with the study, finish it, and have R. W. Beck there. We would like to hear from PG&E again and again because they don't have any arguments that amount to anything. Ask them how much they make each year and to provide the figures. If they don't give them to you, subpoena them. We deserve that after all of these years of higher prices and worst service and putting San Francisco into the position of being the most black-out prone City in the state, if not the country. It is time to end that, congratulations.

Question: Chairperson Commissioner Gonzalez stated that there was concern that a different date would have to be selected for the public hearing because Vice-Chairperson Commissioner McGoldrick stated that he would not be available on November 14. He stated that Mr. Bell is prepared to respond to whatever Mr. Lonner presents in terms of his factual numbers and the assumptions that Mr. Brugmann thinks he is making a mistake about. Mr. Lonner thinks he is rightfully going to defend himself and R. W. Beck on the point that these are public documents that he is relying on. To what extent does Mr. Lonner think that challenging the assumptions of Mr. Bell is going to open the door for our being interested in some of the documents that have been suggested through public comment? There are obvious things in the possession of PG&E related to annual profits, IRS filings, etc. etc. To what extent does Mr. Lonner think that is fair?

Answer: Mr. Lonner stated that they have no interest in responding to the exotic visions of one public power advocate. Their interest is to continue doing what they think they do very well, that is to provide safe and reliable electric and gas delivery to San Francisco. To the extent that the City is considering takeover and doing a study, they will provide an analysis that is detailed, complete, referenced, and challenges the assumptions that are incorrect.

Question: Chairperson Commissioner Gonzalez stated to the extent that Mr. Lonner is going to make an argument that it is not profitable, don't you open the door to an analysis on how profitable it is for the private entity?

Answer: Mr. Lonner stated that the only thing that he is aware of that is not a matter of public record or filings with the CPUC that is something that PG&E could

theoretically provide if it chose to do so that would aid your conclusion is an evaluation of PG&E's distribution system. Something that they have no interest in doing because their distribution system is not for sale. But, the Beck study provides three assumptions of valuation that for the purposes of this study are fair to go off. Not because we think those valuations are accurate, but because we think even with their valuations, the numbers do not add up for the City.

Question: Chairperson Commissioner Gonzalez asked Mr. Bell to imagine the best case scenario that he could have any information from PG&E that he wanted, and assume they were cooperative and put it in letter form before the next public hearing. Break it down as to things R. W. Beck would like PG&E to provide them so that they can in a most accurate manner make the report as thorough and complete as possible. If Mr. Bell would put that letter together and give it to PG&E and give them an opportunity to provide them with the information that is needed. He thinks that PG&E has an absolute right to challenge the assumptions that were made and move away from numbers that may be in public documents. But once they do that, they are opening the door to participating and gathering that information particularly if you are making your assumptions based on public documents that they have participated in producing.

Answer: Mr. Bell stated that he would be happy to do so.

Question: Vice-Chairperson Commissioner McGoldrick asked Mr. Bell if he was aware of what the answer to Mr. Brugmann's question might be regarding the annual PG&E profits? Is that public knowledge?

Answer: Mr. Bell stated that it was certainly not allocable to the City and County of San Francisco. It may be known to PG&E, but is not available anywhere in public information.

Question: Vice-Chairperson Commissioner McGoldrick stated so Tax Franchise Board records, CPUC filings and analysis of book value issues with the PUC are not broken down sufficiently.

Answer: Mr. Bell stated he thinks there is no better source than PG&E for that information.

Question: Vice-Chairperson Commissioner McGoldrick asked Mr. Bell if they were to engage and embark upon making an assessment and PG&E would not be forthcoming with information, would they be capable of extrapolating information from the filings of the CPUC and the knowledge about book value and fair market value that the CPUC could provide?

Answer: Mr. Bell stated that oftentimes in such situations that is what they wind up having to do is take publicly available information and base it upon what they know of the system or operations. For example, the valuation they did was largely based on the PG&E system as a whole which they know is a lot younger in age than what

exists in San Francisco. In answer to your question yes, but when you start to do that, you start to make some assumptions how you reach what you are trying to measure. In any case, if PG&E were to provide that information themselves as well as the support and backup clearly everyone would be working off the same set of numbers and information.

Question: Vice-Chairperson Commissioner McGoldrick stated that PG&E's response today indicated that R. W. Beck's assumptions were way off. Have you ever done reports where the assumptions have turned out to be off as far as they are claiming today?

Answer: Mr. Bell stated no.

Question: Vice-Chairperson Commissioner McGoldrick asked if R. W. Beck would still be in business if assumptions in their reports were off as far as PG&E is claiming are off today?

Answer: Mr. Bell stated no.

Question: Chairperson Commissioner Gonzalez asked Commissioner Fellman to share her concern regarding future procedure.

Question: Commissioner Fellman stated that given the nature of the public comment and the seriousness of this project, she wants to make sure that there is full opportunity for everyone's comments to come in and those to be considered as well by R. W. Beck for a response. Do we need to have our decision done by the end of this calendar year? Do we have to have this report adopted by the end of this calendar year?

Answer: Ms. Young stated, no.

Statement: Commissioner Fellman suggested that we have PG&E present its rebuttal and make that available on our website to the public and then have other public comment follow that by two weeks. So we would have a PG&E rebuttal so that when people commented they would also be able to see PG&E's position.

Statement: Chairperson Commissioner Gonzalez stated that he is open to making any public comment available. He wouldn't be inclined to only make PG&E's response available. He thinks that there are going to be a number of interested parties that may want to be heard. That's relatively easy to do if they provide it to us in a format that Ms. Young can work with.

Statement: Commissioner Fellman stated that she is suggesting that PG&E present their comments first that would be followed by the rest of the public comment rather than have a single due date. PG&E has indicated that it is going to provide a rebuttal, and that we ask them as a courtesy to the LAFCo to provide their rebuttal

within thirty days and then within two weeks we can follow that with other public comment.

Statement: Commissioner Gonzalez stated as he heard Mr. Lonner, he indicated three weeks. That puts us at the end of October, and we were talking about a November 14th date. That works on schedule with what Commissioner Fellman is talking about. It could be formalized.

Statement: Mr. Lonner stated that he said two to three weeks, but he doesn't have to do any of the legwork to put this together.

Statement: Commissioner Gonzalez asked Mr. Lonner to provide LAFCo with documentation by the end of October. Commissioner McGoldrick has indicated that he would like to be at the next meeting. He's not available on the 14th and is proposing the 21st

Statement: Ms. Young stated that the LAFCo could meet on the 21st. We will ask the Commissioners if they are available.

Statement: Chairperson Commissioner Gonzalez stated to Mr. Lonner that it would not be sooner than the 14th. If Mr. Lonner can put something together by the end of October, that would give Mr. Bell a good ten working days to respond.

Statement: Commissioner Fellman stated that a month from today is November 3rd, which is a Monday. That would be thirty days. If we shift the meeting to the 21st, we could then have the rest of public comment come in by the 14th.

Statement: Chairperson Commissioner Gonzalez stated that we would hear public comment on that date as well.

Statement: Commissioner Fellman stated and then we would have our meeting on the 21st, so we would have all written comments, R. W. Beck would have a week to review them, and have oral public comment on the 21st.

Statement: Chairperson Commissioner Gonzalez stated that Ms. Young indicated that she is not certain that the 21st would work.

Statement: Ms. Young asked the four Commissioners if they were available.

Statement: Chairperson Commissioner Gonzalez stated that he did not have his schedule readily available. Right now, we can assume that the date we are working on is the scheduled date of the 14th. That's the next meeting of the LAFCo. We are going to try to accommodate everyone. Supervisor McGoldrick would like to be here and he would like him to be here. If Mr. Lonner's folks can do something by the end of October, let's keep the 14th for now. Let's see if the 21st works for everyone. Commissioner Schmeltzer should be contacted.

Statement: Ms. Young stated that we would contact all of the Commissioners.

Statement: Chairperson Commissioner Gonzalez stated that he would do everything in his schedule to accommodate Commissioner McGoldrick.

Statement: Commissioner Fellman stated that if PG&E's comments come in at the end of October, we should set a date for the public written comment to come in.

Statement: Chairperson Commissioner Gonzalez stated that he did not think we could prohibit public comment being submitted.

Statement: Commissioner Fellman stated that she is not prohibiting public comment. She is suggesting that the deadline be set for the other public comment to come in so R. W. Beck has the opportunity to review it and at the public hearing when we get oral public comment also respond to all the written public comment.

Statement: Ms. Young stated that the first public hearing, whether it is set for the 14th or the 21st, it would be set as the public hearing to allow the public to comment. After that public hearing, we would set a deadline for public comment. Before the final report comes out, there is ample enough time for the public to respond and for R. W. Beck to take those comments and bring them back in a final plan.

Statement: Mr. Lonner stated that they would be flexible and accommodate LAFCo's schedule.

Statement: Chairperson Commissioner Gonzalez asked Ms. Young to track down the dates for the public hearing.

4. Resolution adopting the R. W. Beck Report on Community Aggregation (AB117) Migden (Action Item).

   Commissioner Ammiano moved to adopt the Resolution adopting the R. W. Beck Report on Community Aggregation (AB117); Commissioner Fellman seconded. No public comment. Unanimously approved.

5. Future Agenda Items.

   Ms. Young stated the main issue before the Commission at this time is the Electric Financial Feasibility Study.

6. Public Comment on Items not on the Agenda.

   No public comment.

7. Adjournment.

   The meeting adjourned at 11:33 A.M.

San Francisco
Local Agency
Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT

NOV - 5 2003

SAN FRANCISCO
PUBLIC LIBRARY

11-05-03A11:31 RCVD

AGENDA

Note: Each item on the Consent or Regular agenda may include explanatory documents, including Executive Officer report and public correspondence. These items will be available for review at City Hall, Room 244, Reception Desk.

Special Meeting
Friday, November 14, 2003, at 2:00 p.m.
City Hall, Committee Room 263

Chair: Commissioner Gonzalez; Vice-Chair: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate Members: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call.

2. Approval of Minutes for the Commission Public Hearing of October 3, 2003 (Discussion and Action Item).

3. San Francisco Local Agency Formation Commission (SFLAFCo) Public Hearing on the Draft Report on the Electric Financial Feasibility Study.

4. Future Agenda Items.

5. Public Comment on Items not on the Agenda.

6. Adjournment.

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to LAFCo, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of LAFCo members. Any written comments should be sent to: Committee Clerk of LAFCo, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the Committee Clerk by that time may be taken directly to the hearing at the location above.

Cell phones, pagers and similar sound-producing electronic devices : The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

DISABILITY ACCESS

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142. There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

To obtain a disability-related modification or accommodation including auxiliary aids or services to participate in the meeting, please contact Monica Fish, Commission Clerk to SFLAFCo by mail to San Francisco Local Agency Formation Commission, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7702, by fax at (415) 554-7714 or by email at Monica_Fish@sfgov.org at least two business days before the meeting.

Chemical-Based Products: In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Clerk of the Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7724, by fax at (415) 554-5784 or by email at Donna_Hall@sfgov.org.

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.ci.sf.ca.us/bdsupvrs/sunshine.htm.

Lobbyist Registration and Reporting Requirements
Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign and Governmental Conduct Code Section 2.100) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102, telephone (415) 581-2300, fax (415) 581-2317 and web site www.sfgov.org/ethics.

San Francisco
Local Agency
Formation Commission

Government Information Center
Main Library (41)

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT

JAN 30 2004

SAN FRANCISCO
PUBLIC LIBRARY

MINUTES

Special Meeting
Friday, November 14, 2003, 2:00 p.m.
City Hall, Room 263

Chairperson: Commissioner Gonzalez; Vice Chairperson: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternates: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call

   Chairperson Commissioner Gonzalez called the meeting to order at 2:19 p.m.

   Members Present: Chairperson Commissioner Gonzalez, Commissioner Schmeltzer and Alternate Commissioners Peskin and Fellman

   Members Absent: Vice-Chairperson Commissioner McGoldrick; Commissioners Ammiano and Hall.

   Nancy Miller, Esquire was present.

2. Approval of Minutes for the Commission Public Hearing of October 3, 2003 (Discussion and Action Item).

   No public comment. Commissioner Fellman moved to continue approval of the October 3, 2003 meeting minutes to the next meeting with no objection. Absent: Vice-Chairperson Commissioner McGoldrick, Commissioners Ammiano, Hall and Schmeltzer.

3. San Francisco Local Agency Formation Commission (SFLAFCo) Public Hearing on the Draft Report on the Electric Financial Feasibility Study.

Nancy Miller, Esquire stated that on October 3, 2003 SFLAFCo had their first public hearing on the Draft Electric Financial Feasibility Study prepared by R. W. Beck. At that hearing, representatives from PG&E appeared and indicated they would be preparing a written response. PG&E would be providing a presentation today. R. W. Beck is here to respond to their presentation as well as any questions that the public may have during public comment.

Matt Lonner, PG&E Government Affairs stated that at the last SFLAFCo meeting the R. W. Beck study was discussed, and PG&E agreed to come back and make a formal presentation of their analysis of the study. They also agreed to provide answers to questions that the R. W. Beck team had for them. PG&E's response to R. W. Beck's letter/questions dated November 14, 2003 was delivered to the Commission today and is available at the Clerk of the Board's Office, City Hall, Room 244, and on the SFLAFCo website at http://www.sfgov.org/site/lafco_index.asp. Some of R. W. Beck's questions have been answered, others require further research, and others could not be answered.

David Rubin, Director, Service Analysis, PG&E stated that at the October 3, 2003 SFLAFCo public hearing, PG&E presented a preliminary response to the Draft R. W. Beck study. They indicated that there were a number of assumptions that became part of the analysis that they felt were flawed. The LAFCo asked for a more detailed description of what those assumptions were and what impacts they had. A presentation was made and is on file at the Clerk of the Board's Office, Room 244, City Hall. PG&E's responses and presentations are also on the SFLAFCo website at http://www.sfgov.org/site/lafco_index.asp.

Questions and comments made on the presentations are as follows:

Alternate Commissioner Peskin asked if there was a public independent verifiable source that would substantiate PG&E's statements.

Mr. Rubin stated that PG&E provides information to the City Controller as a basis for when they provide franchise-related payments. It is a matter of public record that their revenues for 2001 and 2002 are provided to the Controller. In a Bay Guardian article from the first week of September 2002, specifically referenced was the 2001 related revenues in San Francisco gathered from the Controller's Office, which stated they were $576 million at the time. In 2002, it was a bit higher; it was just under $600 million.

Alternate Commissioner Peskin referred to Mr. Rubin's presentation stating that he is not sure what the 13% or the $600 million kilowatt hours represents. The City charges different rates to different departments. For example, the enterprise

departments like the Airport pay a higher rate for Hetchy power than the general fund departments.

Mr. Rubin stated that he was referring to the amount that is paid to PG&E to deliver the power.

Alternate Commissioner Peskin asked if Mr. Rubin was referring to the Wheeling costs.

Mr. Rubin stated that was correct. The numbers do not include the Airport, just power that is delivered inside the City gate.

Alternate Commissioner Peskin stated that the City pays PG&E to wheel its power. You have a cost for bringing your own power as well. What are you saying relative to this 13 percent of the total exclusive of the Airport?

Mr. Rubin stated that the City pays PG&E under the Hetchy contract a rate that is approximately a half a penny to a penny a kilowatt hour to bring municipal load into the City. He is not familiar with what happens then in terms of whether the City departments that receive the power charge something different from Hetchy than the price that PG&E charges Hetchy. PG&E's price to bring the power into the City is about half a penny to a penny. Retail customers of PG&E in San Francisco for transmission distribution end up paying something closer to 3½ to 4 cents a kilowatt hour depending on the rate schedule. Their understanding, in looking at the pro-forma from the Draft Study is that all of the usage within San Francisco is charged at 3½ to 4 cents a kilowatt hour. He is referring to Wheeling-related charges, not the total rate. The understanding is that what is part and parcel of the difference in the revenues, the $820 million versus the $600 million, may well in part be based on valuing or charging a higher price for this power than is actually paid from the City to PG&E.

Alternate Commissioner Peskin asked if between 3½ to 4 cents less a half a cent to a cent multiplied by the 13 percent that this represents gives you that $200 million difference.

Mr. Rubin stated that it doesn't explain all of the difference, but it does explain part of the difference. There are a few other points that they believe collectively add up to explain the difference between the two as part of the difference, but not all of it.

Chairperson Commissioner Gonzalez asked how much of a difference it accounts for.

Mr. Rubin stated he would have to do a separate calculation and confirm, but he believes it would save roughly a third to a half of the total.

Alternate Commissioner Peskin stated that the LAFCo would need to have information from the San Francisco Public Utilities Commission (SFPUC) on how

those rates work. He is not familiar with how the Wheeling costs are distributed, but clearly enterprise departments pay a higher rate for Hetchy power than non-enterprise departments. How do you account for the Wheeling fees that the City pays PG&E?

James McLaughlin, SFPUC stated that he was not prepared today to answer that question and would get the answer later today after consulting with their Hetch Hetchy staff.

Mr. Rubin stated that there may be a different charge from the Hetch Hetchy department to the City departments that receive the power. The point of their analysis is that the price that is paid to PG&E to bring the power into the City is a half a penny to a penny. If there are some different prices that are charged to different recipients in the municipal load, then that revenue would be received by the City already essentially as a revenue source, so it becomes akin to taking out of one pocket and putting it into another.

The R. W. Beck study states that the PG&E system is in need of modernization in the City. The quote that is in front of the Commission is one of the quotes on this issue from the Draft Study. Yet, when you look at the capital additions line in the analysis, it seems that they are clearly less than what in fact PG&E has been spending on this system in San Francisco and what they expect to spend in the next several years. It only includes distribution and doesn't include capital additions for transmission as well. It seems to be inconsistent with the basic theme mentioned in several points during the report that somehow the system in San Francisco is obsolete or is in substantial need of modernization, which Mr. Rubin stated they don't believe to be true. In fact, a recent study that was done on PG&E's system within San Francisco compared to a number of other urban systems throughout the U. S. shows that PG&E is rated fairly high.

Alternate Commissioner Fellman asked if that is based on the reliability of the transmission and distribution system or the reliability of the generation that comes through the wires.

Mr. Rubin stated that his understanding is that it is based on the reliability of the transmission and distribution system.

Alternate Commissioner Fellman asked if the Jefferson Martin line would allow the closure of Hunter's Point.

Mr. Rubin stated that they believe that is the case.

Alternate Commissioner Fellman asked if that is independent of what is happening at the Potrero site with the Mirant facility closing down.

Mr. Rubin stated that their engineers believe, based on their best estimate, that Jefferson Martin in combination with other actions including some of the other

transmission and reinforcement projects that they are implementing, would be sufficient to shut down Hunter's Point. The ISO does not agree with them completely on this position, but that is their position.

Alternate Commissioner Fellman asked the status of the Jefferson Martin approval with the California Public Utilities Commission (CPUC).

Mr. Rubin stated it is before the CPUC now. They are posting public participation hearings and are considering a Draft EIR. He would have to check to get additional details around precisely where they are, but he knows the process is moving ahead.

Commissioner Schmeltzer stated there was quite a bit of information that R. W. Beck requested from PG&E and requested the status of the information in order to enable a better assessment by the LAFCo.

Copies of the PG&E November 14, 2003 letter addressing these issues were presented and distributed at this time to the Commissioners.

Alternate Commissioner Peskin asked if the 4.3 cents per kilowatt hour is what the Dow Jones current forecast is. For what period of time?

Mr. Rubin stated it was the ISO day that had market prices quoted by Dow Jones for the period of November 2002 through October 2003.

Alternate Commissioner Peskin asked what the cost per kilowatt hour was prior to deregulation.

Mr. Rubin stated that he would have to get back to the Commission with an answer. You can't buy power now and forecast it in the future at three cents. They don't believe so based on current information that is available from real prices in the marketplace that are quite a bit higher than three cents a kilowatt hour. Information is being provided in response to the letter that is taken from the CPUC's generation procurement OIR, which has a forecast of prices acquired from brokers, which are for the 2007 period and beyond in the 4½ cents range.

Mike Bell, R. W. Beck stated that they received PG&E comments approximately a week ago so they have had time to review them and prepare comments in response. A presentation was made and is on file at the Clerk of the Board's Office, Room 244, City Hall and on the SFLAFCo website at http://www.sfgov.org/site/lafco_index.asp.

Alternate Commissioner Peskin asked if the 13 percent that Mr. Rubin referred to is completely accounted for in the R. W. Beck study.

Mr. Bell stated that the bottom-line margin is not being changed. The revenues in the study are higher, but the expenses are also. With data from PG&E and the PUC, they can get those revenue and cost numbers both down to where they actually are. Absent to having that data, they used the PG&E billing rate for the revenues, which

are higher than what is being billed to the City municipal loads, but they also increased the costs. They know it is higher than what the true costs are to the municipal loads. The net margin doesn't change--it is still the same margin. What is being charged to the municipal accounts is still the same.

Mr. Bell stated that at this point in time, they don't see anything that would change their overall conclusions. They stand by the conclusions that were provided in their report.

Commissioner Schmeltzer asked Mr. Bell to discuss why he thinks that PG&E's claim about the direct access customers and the 11 percent of customers who would not be purchasing from the City is offset by the assumptions made in the report.

Mr. Bell stated because those sales were included at a PG&E tariff rate in terms of revenue purposes but they are also included at a higher cost. If you are reducing the revenues, then you are reducing the cost. So the net margin will be about the same. If they could get the data, they could verify that fact. They believe that the offset in the revenues and the expenses will have that impact.

Commissioner Schmeltzer asked if that data is in the package that PG&E is providing.

Mr. Bell stated no, it was just supplied and they haven't had a chance to look at it.

Alternate Commissioner Fellman stated that in the PG&E November 7th response, PG&E made some observations comparing the R. W. Beck Community Aggregation Study conclusions to the conclusions in the current study. Does Mr. Bell have any comment on PG&E's observations?

Mr. Bell stated there are observations with regard to community aggregation and the other services provided to the City in joint capacity. As far as this issue is concerned, they see those as being separate. Community aggregation as they found earlier seems to make sense, and it would make sense to move forward with that. The power supply component is a large portion of this particular component. Therefore, it weighs heavily in terms of where those numbers work out. Nothing in particular that would be added at this time.

Alternate Commissioner Fellman asked if the conclusion is that the two studies are not inconsistent with respect to their results.

Mr. Bell stated that was right.

Mr. Rubin stated that just having seen this information, he would like to think about it and have an opportunity to get a hard copy of the package in order to develop a more complete response. Initially, he can identify several different areas where he has fairly significant questions around whether certain costs have been included and whether the revenue adjustments that were mentioned were offset by costs. When

they did their analysis, and they included the municipal load as well as the direct access load, they did subtract the power supply costs associated with both of those sets of load. He doesn't believe there were any other costs that were included in the initial study or in their adjustment that somehow adjusts for the lower revenues associated with those sales. To the extent that those sales are being served off of a distribution system around which there would be certain acquisition costs, certain capital costs, and certain O&M costs, he is not sure there are any other adjustments to be made one way or the other. The power needs to be delivered over a robust system. He does not see how you can reduce or adjust costs in any way other than the power purchase price to essentially account for municipal load which is being served by Hetchy power or direct access load where the customers are buying their power from other sources. He does not understand how the adjustment downwards of revenues would be offset by a similar adjustment downwards of costs that they didn't already include in their package sent to the Commission on November 7th.

As far as the other comments that were made, he would be interested in seeing how common plant, going concern, working capital, and some of the other cost items were included either explicitly or somehow implicitly in the numbers they had received from R. W. Beck. Their assessment was that they weren't, but they were in a position of having to try to replicate some of their calculations. If those numbers are included, they would like to see the detailed breakdown. Other than that, they are able to provide some of the information. As Mr. Lonner has indicated, they do not have some of the information. They do not do twenty-year forecasts for a number of these types of items and some of the information they are not willing to provide even if they did have it. To the extent that they are able to clear up some of these issues with colleagues at R. W. Beck, they are happy to do so. He doesn't believe R. W. Beck's comments which concluded that they acknowledged that there are some changes that are appropriate, but when offset with other changes, comes out in the wash, that that in fact is actually an accurate reflection of the financial picture. He would appreciate an opportunity to get back to the Commission with a more detailed response once they have had a chance to have a more thorough think-through.

Commissioner Schmeltzer stated that they just saw a chart that showed differences in the rates that were used in the assumptions between PG&E's letter and what R. W. Beck used and what were published on the PG&E website. She asked to explain the difference in the rates used in the PG&E letter to the rates published on the website.

Mr. Rubin stated there is a difference because the rates that customers pay throughout PG&E's service territory are based on usage characteristics that are called billing determinants and they include demand and energy-related usage characteristics that are applied to rate schedules. They typically have demand and energy charges. If you look across their service territory, you obviously have different areas with different sets of load characteristics based on climate or makeup of the customer costs. It's not unusual to have a system average rate that is just that. It's an average. Different areas are going to be seeing different average bills

based on their usage characteristics. San Francisco is a coastal city with a very high apartment population so the usage by apartments is quite a bit less than single-family homes. You are going to see a greater proportion of the residential usage below the baseline levels where the average rates are generally lower. That would explain the residential costs. Some of the commercial industrial classes depend on when power is used. Different rate classes pay different rates according to different rate schedules.

One of the things they observed in the study's assumptions were that a much greater proportion of the San Francisco usage seemed to be grouped into the rate classes that pay higher average rates relative to what is actually the case in San Francisco. When you put the kilowatt hours in the right buckets, you will find a much greater percentage of usage that is charged. For example, their large light and power rates which are lower than the small and medium power rates. Taking a look at the average really masks what happens locally as well as how rates are paid differently by different customer classes. The numbers that they provided are the actual numbers for San Francisco 2002. You can take a look at tariff schedules and system average numbers, but it won't tell you as much as you need to know.

On the rate reduction—the numbers that were used for 2003-2004 was based on what they filed as part of their plan of reorganization proceeding. The numbers that were shown in the chart that Mr. Bell displayed unfortunately included the GRC rate increase and then took the plan of reorganization rate decrease and assumed that that plan of reorganization decrease was a gross decrease. It was not. It was a net decrease which means it already considered the general rate case rate increase. In fact the number was taken from a prior proceeding. Now that net number is higher than the $350 million. The numbers were not meant to be added in the way they were added on that chart. The numbers that they used in their submission last week were based on the most current numbers that were presented in the regulatory proceeding.

Alternate Commissioner Fellman stated that she had a question regarding the Energy Commission forecast. She asked that Mr. Rubin comment on PG&E's view or personal view of the validity of that forecast and its usefulness in terms of developing regulatory decisions.

Mr. Rubin asked in regards to power procurement decisions—the CEC's forecast for power costs?

Alternate Commissioner Fellman stated or what the Commission is looking at with respect to evaluating whether or not it is feasible to recommend a takeover of the PG&E lines.

Mr. Rubin stated that as far as the forecast that was used in the pro forma in this study, they believe that those costs do not reflect what it would take to go out and procure power. One benchmark would be what power has cost in the short-term market. He agrees with Mr. Bell and wouldn't advise anybody to lean on the short-

term spot markets for power procurement. However, the numbers were put in there in order to provide a reference point relative to the three cents that was in the CEC simulation. The CEC's study was based on assimilation which is different than a set of estimates of what it would really cost to go out and buy power. He would point out that the CEC also has an estimate of what it would cost to build a new combined cycle gas turbine facility that was referenced earlier. That estimate based on gas prices that were in effect at a prior point that are not as high as they are today was 5.2 cents a kilowatt hour.

The Modesto Irrigation District recently was given board authority to go out and buy power to fill its needs under a variety of different contracts. This is a public Board document that is available. The Board provided staff authority to go out and buy power subject to certain price caps. Those price caps were well above five cents a kilowatt hour. These were for ten-year contracts. He would not use the CEC's simulation results as a basis for estimating what it would really cost to procure power under a variety of means either short-term supply, long-term contracts, or building your own power plants.

Mr. Bell stated at this point, he thinks it would be appropriate to take a look at the information that PG&E has provided in light of the discussion today and see if that compels them to make any changes in the analysis. With responsive data available, many of these questions may be cleared up.

Alternate Commissioner Fellman asked if Mr. Bell would be able to report back by the November 21 public hearing.

Mr. Bell stated it would depend on the extent of the data provided. If everything that they asked for is provided, one week may not be enough time. If it is partial, one week may be more than enough time. Without having a chance to look at what had been provided, it would be difficult to judge.

Public Comment

The following comments were made by members of the public.

Mr. Howard Ash, member of the PUC Rate Fairness Board, economist with 17 years of experience in the energy and utilities business. He had provided written comments and gave a presentation regarding his comments on the R. W. Beck report that are available at the Clerk of the Board's Office and on the SFLAFCo website at http://www.sfgov.org/site/lafco_index.asp.

Chairperson Commissioner Gonzalez confirmed with Mr. Bell that he had received a copy of Mr. Ash's letter.

Mr. Ash presented Mr. Bell with a copy of his written comments.

Mr. Bell stated that he had received a copy and had a chance to read through Mr. Ash's letter once. There was a fair amount of detail and would like some time to consider the points that were raised. Mr. Ash's comments would be addressed at the next public hearing.

Mr. Francisco DaCosta stated that the R. W. Beck Draft Study is a debate. In listening to this debate and attending the other meetings with CPUC, FERC, and the San Francisco Department of the Environment the situation cannot be addressed because of a lack of data. This jurisdiction lies beyond San Francisco and there comes the Jefferson transmission line. Right now, PG&E is having a difficult time addressing the situation. They have 280 clients who do not agree with the Draft Environmental Impact Report under the Jefferson Transmission line. This ongoing process is going to take years and is going to affect today's discussion. It is not possible to address all the issues in three minutes, but he would like to address the history going back to the Raker Act. Those people at that time thought it best that we have clean water and hydroelectricity to meet demand. They initiated a bill and got PG&E in. PG&E got the monopoly and now we have to deal with PG&E. It will be difficult to deal with PG&E. They have been in the business for too long of a time and will not give in easily. The public needs more data and participation in the deliberations in every level if this is a public process.

Mr. Andrew Bozeman agreed that it appeared to be a debate. As he took a look at the numbers and assumptions, PG&E was not willing to supply the data. In the many meetings that had been held with the San Francisco Department of the Environment and PG&E, the data changed from meeting to meeting. He is concerned about the Hunter's Point Power Plant with its ever-changing closing dates as they continue to push them more and more out into the future. They are getting money together to upgrade the plant so they can keep operating it. He has been to FERC meetings, CPUC meetings, and many meetings with all kinds of different people, including ISO people. He appreciated that the Commission is taking a major step in this area to clear up ambiguities to see what they really have going and what the opportunities would be.

One thing that PG&E mentioned is their intention toward renewable energy. But PG&E had always been resistant to renewable energy. It costs a bit of money to get the solar panels from Moscone hooked into the PG&E network, because they are not set up to accept that, and it doesn't look like they are ready to accept it in the future.

Mr. Jim Chapell, President, San Francisco Planning and Urban Research Association (SPUR), a professional planner with a long background in power studies. He had consulted to many power companies, both municipal and private including SMUD, SDG&E, Sierra Pacific, East Bay MUD, Alaska Power Authority, and once for PG&E in 1977. He has personal knowledge of power generation and transmission systems and their economics. SPUR did a major study of the public power measures on the ballot a couple of years ago. The subject study is quite partial and there has not been enough work done to draw any conclusions. There

are many questions and more questions than answers. The biggest red flag for him was on pages 27 and 28 where it says in the early years, the City may have to set rates above PG&E rates and the City would have difficulty maintaining a positive net income and rates competitive with PG&E. This is quite troubling. If the public is going to spend another million dollars on feasibility studies and somewhere between one and two billion dollars on a takeover we better be certain in this time of huge municipal budget deficits before we move ahead in that path. Clearly it isn't—it is far from a sure thing.

He commended the Supervisors on dealing with a $350-million shortfall and stated that it would be harder next year as there is continuing uncertainty in the economy. There is an enormous bill to rebuild Hetch Hetchy. There is going to be an enormous bill on our sewer system. San Francisco General is going to have to be replaced. Prop A was just passed for the schools, but that is a small piece of what the school bill is going to be. That is going to be a three-year fix. The parks have hundreds of millions of dollars and it goes on and on. He believes it would be irresponsible to continue throwing money on something the voters have said they don't want several times and is a high risk. It is really pursuing an old political agenda. The time for this has come and gone. PG&E went bankrupt for some very understandable reasons. If this had been the City and County of San Francisco, the City and County of San Francisco Power Energy would have gone bankrupt. He recommended that community aggregation should be definitely looked at, and that the responsible thing for this Commission to do would be to table further acquisition.

Mr. Hunter Stern, Electrical Workers IBW1245, representing utility workers in San Francisco and throughout northern California. In San Francisco, it is primarily PG&E employees, but there are employees that work for Mirant Corporation that generates electricity in Potrero. Throughout Northern California, it includes about 1500 members at 17 municipal utility districts or municipal utilities. They oppose a takeover of the PG&E distribution and transmission system in San Francisco. However, they have supported and continue to support the development by the City of generation facilities and community aggregation.

The comments on the R. W. Beck study are high-level comments. The study draft seems to have limited predicted value, which makes it difficult for the Commissioners to decide which way to go or how to proceed. There seems to be good assumptions—one about having to purchase all of the electricity is a good or realistic assumption. The other assumptions are around risk management, although they don't agree with all of the specifics that are well worth the Committee's review and consideration.

There was good debate about the cost—the 3 to 3½ cents per kilowatt cost are of interest. He knows it comes from the CEC. Their relationship and their contracts with energy providers like Mirant and two others that they represent who actually sell or are the sellers in these contracts--they are viewed that the contracts are much different and they don't relate to what the CEC study indicates. He is not sure that anyone is right or wrong, but he is not sure that's a reliable source of information.

One other concern is the language in the conclusion and the economic financial feasibility section of long-run savings. There are some issues about how long that run is. If it is fifty years, then it is probably true. If it is fifteen years, then it may not be true. They would like to give some insight about PG&E. They often request and review information from PG&E. For two reasons PG&E information tends to be better. First, it is performance-based rate making requirements that the PUC put them under, and the second is response to public pressure like here in San Francisco.

Alternate Commissioner Peskin stated that he had not read the R. W. Beck study or PG&E's response and R. W. Beck's response to PG&E because he is an Alternate Commissioner. He stated that he sat on the Blue Ribbon Committee with Jim Chapell relative to exploring the feasibility of rebuilding and retrofitting the Hetchy system and did read every word of those documents that R. W. Beck prepared. That was a different set of economists and different set of players. That was work that they all found to be very good work and led the City down the path with Ms. Martel to floating the 1.3 billion dollar Hetchy water system bond. The last speaker spoke about the inherent bias of the consultant. The consultant in the past on a different subject area presented very good information, and he was part of the Committee that reviewed that information.

Mr. Landis Martila, Business Representative, IBW1245. His associate Mr. Stern gave a high-level view of the report. He stated that he would give a low-level view of the report from a lineman's point of view. He was a distribution lineman in San Francisco for thirteen years, and currently represents the electrical workers in the City and County of San Francisco. The R. W. Beck report incorrectly identifies four kV circuits as comprising the majority of the overhead distribution lines in the City. That characterization is incorrect. The majority of overhead distribution lines in San Francisco are 12 kV distribution circuits. The authors go on in the report to state again on page 5 that this aging 4 kV system is at the end of its useful life and from both a physical and technological standpoint, the comment about the physical life of the distribution system. It's true that the history of evolution of the distribution system is from lower to higher voltages.

In San Francisco, there was probably originally before his time a 2160 system. Then they went to 4000. Now there is primarily a 12000 volt distribution system. What happens in these systems is that the component parts have changed. The current 4 kV system in San Francisco is made up of transformers, pulls, insulators, wires, primary and secondary switches, protective systems. All of those component parts have been changed or scheduled to be changed over time, just like the 12 kV system. They just have a useful life and there is a rigorous inspection that is conducted by PG&E to maintain that system. That is what keeps the reliability relatively high here in San Francisco. He has worked on the 4 kV distribution system. It's a robust effective system and it serves its identified load well in San Francisco. The system is complex and heterogeneous. It's periodically upgraded. There's this damage caused by third parties and there is this wear and tear by storm

and vagaries of customer load, emergency load swapping. That has an impact on conductors.

What you can do yourself in terms of looking at the system out there--it's almost color coded. Prior to 1970, transformers were dark-blue. Everything that you see that is light gray has been installed since 1970. If you look at insulators which have changed along with the conductors prior to 1970, brown insulators were used on the high and low voltage system. Now gray insulators are. If you look at the overhead system and you see gray, that means it is relatively new. If you see blue or brown, that means it's relatively old.

Alternate Commissioner Peskin stated he had a question relative to the 12 kV versus the 4 kV system. PG&E had invested money into the current infrastructure--so you disagree with the macro level comment that the system is in great disrepair to the local distribution system?

Mr. Martila stated absolutely. They believe that the greatest problem a utility will face, and this has to do with operation and maintenance, is securing and maintaining a skilled workforce in San Francisco. PG&E has a designated San Francisco division workforce. He was formerly part of that, but it is augmented by a general construction workforce. There are also journey linemen. But they are a mobile workforce and they can be moved around the system where needed. In San Francisco you have a situation where only a minority of their San Francisco personnel lives here. That is really a function of housing costs. Their employees find houses they can afford to buy in outlying areas. They buy them there and they continue to work there. Eventually, their seniority allows them to get out.

Chairperson Commissioner Gonzalez recommended that the speaker submit the rest of his comments in writing.

Ms. Miller recommended that the November 21 SFLAFCo hearing be cancelled because of the extensive comments received today to give R. W. Beck the time to respond to the PG&E comments. January 9th or the 16th would be possible public hearing dates. We would continue to accept written comments through December 5 or extend the date.

Mr. Bell stated he would have to review the data received to determine whether he could respond by the next scheduled hearing date of November 21.

Chairperson Commissioner Gonzalez requested that a public hearing be scheduled in December.

Mr. Bell stated that would be more than enough time.

This item was continued to the Call of the Chair and to be placed on the agenda for a public hearing in December.

Alternate Commissioner Fellman suggested that written comments should be open until one week before the hearing date—December 5th or whichever date is later.

4. Future Agenda Items.

   No public comment.

   Chairperson Commissioner Gonzalez asked if the SFLAFCo was waiting for a resolution from Commissioner Ammiano related to the AB 117 study.

   Ms. Miller stated that we are waiting for that item to be introduced to the Board of Supervisors and would verify.

   Chairperson Commissioner Gonzalez stated that this item may have been introduced, but had not been acted upon.

5. Public Comment on Items not on the Agenda.

   Mr. Francisco Da Costa suggested that there be a panel discussion for the public. He spoke to Mr. Bell who agreed. He thinks PG&E would agree. There are a number of activists and people especially in the southeast sector that is interested in this subject. If you have a panel discussion between the main people that are proposing the various elements, it would help the public.

   Alternate Commissioner Fellman stated that was an excellent idea.

   Ms. Miller stated she would discuss this option with the Executive Officer and with Mr. Bell.

6. Adjournment.

   The meeting adjourned at 3:50 p.m.

San Francisco
Local Agency
Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT.

NOV - 5 2003

SAN FRANCISCO
PUBLIC LIBRARY

11-05-03A11:34 RCVD

AGENDA

Note: Each item on the Consent or Regular agenda may include explanatory documents, including Executive Officer report and public correspondence. These items will be available for review at City Hall, Room 244, Reception Desk.

Special Meeting
Friday, November 21, 2003, at 2:00 p.m.
City Hall, Committee Room 263

Chair: Commissioner Gonzalez; Vice-Chair: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate Members: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call.

2. San Francisco Local Agency Formation Commission (SFLAFCo) Public Hearing on the Draft Report on the Electric Financial Feasibility Study.

3. Future Agenda Items.

4. Public Comment on Items not on the Agenda.

5. Adjournment.

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to LAFCo, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of LAFCo members. Any written comments should be sent to: Committee Clerk of LAFCo, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the Committee Clerk by that time may be taken directly to the hearing at the location above.

Cell phones, pagers and similar sound-producing electronic devices : The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

DISABILITY ACCESS

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142. There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

To obtain a disability-related modification or accommodation including auxiliary aids or services to participate in the meeting, please contact Monica Fish, Commission Clerk to SFLAFCo by mail to San Francisco Local Agency Formation Commission, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7702, by fax at (415) 554-7714 or by email at Monica_Fish@sfgov.org at least two business days before the meeting.

Chemical-Based Products: In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Clerk of the Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7724, by fax at (415) 554-5784 or by email at Donna_Hall@sfgov.org.

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.ci.sf.ca.us/bdsupvrs/sunshine.htm.

Lobbyist Registration and Reporting Requirements
Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign and Governmental Conduct Code Section 2.100) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102, telephone (415) 581-2300, fax (415) 581-2317 and web site www.sfgov.org/ethics.

San Francisco
Local Agency
Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.4441
Fax. 415.554.5163

NOTICE OF CANCELLED MEETING

NOTICE IS HEREBY GIVEN that the special meeting of the San Francisco Local Agency Formation Commission (SFLAFCO) scheduled for Friday, November 21, 2003 at 2:00 p.m. at 1 Dr. Carlton B. Goodlett Place, Room 263, City Hall, San Francisco, California, has been **cancelled**.

DOCUMENTS DEPT.

NOV 17 2003

SAN FRANCISCO
PUBLIC LIBRARY

Gloria L. Young
Executive Officer, LAFCo

11-17-03A10:21 RCVD

Posted: November 17, 2003

San Francisco
Local Agency
Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT.

DEC - 4 2003

SAN FRANCISCO
PUBLIC LIBRARY

AGENDA

Note: Each item on the Consent or Regular agenda may include explanatory documents, including Executive Officer report and public correspondence. These items will be available for review at City Hall, Room 244, Reception Desk.

Special Meeting
Friday, December 12, 2003, at 2:00 p.m.
City Hall, Legislative Chambers, Room 250

Chair: Commissioner Gonzalez; Vice-Chair: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate Members: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call.

2. Approval of Minutes for the Commission Public Hearing of October 3, 2003 (Discussion and Action Item).

3. San Francisco Local Agency Formation Commission (SFLAFCo) Public Hearing on the Draft Report on the Electric Financial Feasibility Study.

4. Future Agenda Items.

5. Public Comment on Items not on the Agenda.

6. Adjournment.

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to LAFCo, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of LAFCo members. Any written comments should be sent to: Committee Clerk of LAFCo, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the Committee Clerk by that time may be taken directly to the hearing at the location above.

Cell phones, pagers and similar sound-producing electronic devices : The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

DISABILITY ACCESS

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142. There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

To obtain a disability-related modification or accommodation including auxiliary aids or services to participate in the meeting, please contact Monica Fish, Commission Clerk to SFLAFCo by mail to San Francisco Local Agency Formation Commission, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7702, by fax at (415) 554-7714 or by email at Monica_Fish@sfgov.org at least two business days before the meeting.

Chemical-Based Products: In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Clerk of the Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7724, by fax at (415) 554-5784 or by email at Donna_Hall@sfgov.org.

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.ci.sf.ca.us/bdsupvrs/sunshine.htm.

Lobbyist Registration and Reporting Requirements
Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign and Governmental Conduct Code Section 2.100) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102, telephone (415) 581-2300, fax (415) 581-2317 and web site www.sfgov.org/ethics.

Posted: 12/4/03

San Francisco
Local Agency
Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

MINUTES

Special Meeting
Friday, December 12, 2003, 2:00 p.m.
City Hall, Room 250

Chairperson: Commissioner Gonzalez; Vice Chairperson: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternates: Commissioners Peskin and Fellman

Clerk: Monica Fish

DOCUMENTS DEPT.

JAN 30 2004

SAN FRANCISCO
PUBLIC LIBRARY

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call

   Chairperson Commissioner Gonzalez called the meeting to order at 2:15 p.m.

   Members Present: Chairperson Commissioner Gonzalez, Vice-Chairperson Commissioner McGoldrick, Commissioners Hall and Schmeltzer and Alternate Commissioner Fellman.

   Members Absent: Commissioner Ammiano.

2. Approval of Minutes for the Commission Public Hearing of October 3, 2003 (Discussion and Action Item).

   No public comment. Commissioner Hall moved to approve the October 3, 2003 meeting minutes; Commissioner Schmeltzer seconded. The minutes were approved with no objection.

3. San Francisco Local Agency Formation Commission (SFLAFCo) Public Hearing on the Draft Report on the Electric Financial Feasibility Study.

   Gloria L. Young, Executive Officer stated that at the November 14th meeting, there was discussion about the possibility of having a panel discussion. Ms. Young asked

for the Commission's clarification as to when the panel discussion would occur and what the forum would be.

Mr. Ken Mellor, R. W. Beck stated that since the last meeting, they had been working with the data provided by PG&E. In some regards the data was helpful and in some regards there was data missing. They have requested other data that would fill in the gap and have received a packet of data yesterday that helps in one sense. He did not feel that any other data was necessary to complete the report. They have reviewed the comments received from PG&E, Mr. Ash, and Legal Counsel and would be incorporating a number of the comments into the report. Several of the comments are at a level of detail that was never anticipated for this high-level of a study. They would still like better data, but are not confident of the results. Municipal load data was received from PG&E yesterday. They have not had a chance to go through the data received to see if it is consistent with the rest of the data. Hopefully, the data received will be sufficient to move ahead.

One of the areas they are having major difficulty in is the area of the rate levels. Inconsistent data is coming out of the Energy Commission and inconsistent expectations are coming from PG&E. There is an expectation of lower rates in 2004, but what they can't tell is what would happen from 2004 on. PG&E is unable to provide them with any expectation of what is going to happen beyond 2004. That is going to be an area where there continues to be questions. They are going to have to do a sensitivity analysis to get the best kind of answer that the Commission needs for further action.

All comments received to date have been reviewed. They are here today to listen to additional comments and PG&E's presentation.

Mr. David Rubin, Director, Service Analysis, PG&E made a presentation in response to R. W. Beck's comments provided at the November 14, 2003 public hearing in response to PG&E's critique of the R. W. Beck Draft Report. The following topics/slides were discussed: 1) Explanation of Study's overstatement of revenues; 2) Overstated revenues are not "likely offset by equally higher costs"; 3) R. W. Beck's rebuttal claims...Public filings identify a rate increase in 2004; 4) Fact: R. W. Beck misunderstands PG&E's public filings; and 5) Results of Sensitivities. The presentation is on file and available at the Clerk of the Board's Office, Room 244, City Hall.

Vice-Chairperson Commissioner McGoldrick asked Mr. Rubin to explain what performing sensitivities analysis means in laymen's terms.

Mr. Rubin stated that performing sensitivities analysis means that you take a look at the financial model that you have set up in order to try to see whether in fact takeover produces financially attractive results. Once you have established a financial model for purposes of determining whether a particular course of action is desirable, it behooves you to change some of your input assumptions, things that you can take a guess at, but don't know for certainty to see what would happen if

your guess is wrong. You can do that in a variety of different ways. But generally speaking it involves what is called a sensitivity run. That means how sensitive is the output to a change in the input. The input in this case might be the operations and maintenance expense in running a distribution system or the rates that would be charged to customers on the system or the cost of power prices. In each one of these cases, you can make a different assumption to test if this would really be a robust analysis, or if events don't play out in the way I assume, am I going to regret having made this particular decision.

Vice-Chairperson Commissioner McGoldrick asked if in other words, the variability of the input creates a predictability factor which one considers causality will create a result in differentiation from one model to the next. Is that correct?

Mr. Rubin stated that was correct.

Public Comment

Sean Randolph, President of the Bay Area Economic Forum, public private partnership of local governments, corporations, university leaders and laborers sponsored by Bay Area Council and ABAG. They are pleased to have a chance to be able to comment on the R. W. Beck report today. Since the beginning of the Energy Crisis in California about two and a half years ago, they've done a lot of analysis on electricity in the state as well as locally including the issue of what are the economics of creating new municipal utilities for electrical power. The most recent report that they did on the subject approximately a year ago was called The Economics of Electric System Municipalization Infrastructure Acquisition and Consumer Rates, October 2002. This report had some findings that applied to the immediate case being discussed today.

One was that when there is a public takeover of an electrical system, the valuation of the assets such as the distribution system will change from book value to the market price that has to be paid to acquire the asset. This is invariably going to be higher than the book value. It will correspondingly increase the financial cost.

The second factor that would apply to the study is that they found the key cost components that would determine whether a new municipal utilities' rates would be higher than lower than that of the investor-owned utility are basically: 1) the income tax exemption and the debt only capital structure that is available to cities; 2) the premium that is paid over book to acquire the distribution assets which will increase rates paid by the municipal utilities customers relative to those of the IOU; and 3) the municipal utilities cost of generating or purchasing power. They found that all the other cost components that go into the price mix are relatively minor in their impact after those three determinants.

If you look at how these particular factors play out in any City, the Economic Forum developed a cost of service comparative model. The model found that if a municipal utility in San Francisco or any other city could match the investor-owned utilities

power acquisition cost on the market, it could then meet or improve on the IOU's consumer rates only if the acquisition cost to acquire the lines was less than or equal to 176 percent of book value. Higher or lower power acquisition costs would either move that figure up or down.

Commissioner Schmeltzer asked Mr. Mellor if he was familiar with the study that the last speaker discussed.

Mr. Mellor stated that he was not and would be interested in looking at the study.

Commissioner Schmeltzer responded to Mr. Mellor's comment earlier about the level of detail and the back and forth and data requests. There has been a lot of good points raised about the study and there has been a lot of good data that has come out of it. PG&E's comments on the report is helpful information and things that should be taken into account as we move towards a final report. She agrees that she does not see a point in the back and forth continuing.

Mr. Mellor agreed with Commissioner Schmeltzer's comments. They understand that revenues were overestimated. They will go back and make the corrections that they need to make. The trouble is that they used data that was presented to the San Francisco Public Utilities Commission (SFPUC) for a different purpose. They either misinterpreted the data or the presentation of that data has changed. In any event, the new data that they have received says that they estimated too high revenues, and that will be fixed. They still have problems in that the numbers that they have that are presented from two or three databases in PG&E are inconsistent. They think they can sit down and address that and come up with the best number they can and take responsibility for dealing with those inconsistencies. He does not think they can go back and get all of the figures to match.

Commissioner Schmeltzer stated what has been asked for is an analysis and the more data, information and comments that you have to build into that is helpful in clarifying where the points of contention are. I don't expect that everybody will be in agreement on every point.

Mr. Mellor stated that he thinks what PG&E has presented is helpful in coming up with a greater level of accuracy in their projections.

Alternate Commissioner Fellman asked Mr. Mellor if he had any comments on PG&E's presentation today.

Mr. Mellor stated that PG&E presented information as to why the revenue projections that R. W. Beck had were wrong. R. W. Beck has their data and will take that into account. They may not always agree with it, but it will markedly reduce the revenue projections that they use. They have presented some graphical information showing where that falls. They need to go back now and look at that. The second issue they presented was the statement that there were offsets, that their revenues were too high, then the costs were also too high. If you reduce sales, then you also

reduce the costs of generation to serve those sales. They will run the model again and that will determine what the new level of costs is. He is guessing that they are right. It is not a full offset. If it is as small of an offset as they have said, they don't know. They have not rerun the model because they have not had the data and part of the data that was missing was the data that was received yesterday. Once all that is put into place, he thinks there will be a pretty good sense of the revenue stream. They still have some confusion over their direct access sales and will be making some estimates there because the data that was presented isn't consistent always, and is presented in a way that is very difficult to comprehend. With that, they need to stop going back and forth. They need to take what they have. It will result in substantially reduced sales and would also result in substantially reduced costs. It will not be a full offset; he agrees with PG&E. On those matters, they are in agreement.

On the third matter that Mr. Rubin talked about that had to do with sensitivity analysis, R. W. Beck will do those. There is a more information in the packet that they presented that they did not present here. He has significant disagreements that he needs to review and respond to. As far as PG&E's presentation, he does not think they are in disagreement.

Alternate Commissioner Fellman stated that PG&E had requested that R. W. Beck enter into a nondisclosure agreement with respect to the data.

R. W. Beck stated they would not sign PG&E's agreement because they are at a point now that if they are not going to keep going after more data, they don't need to sign their agreement.

Alternate Commissioner Fellman asked how much time it would take to do a further analysis.

R. W. Beck stated they needed about four weeks.

Vice-Chairperson Commissioner McGoldrick asked Mr. Mellor about the timeframe required to implement a community aggregation plan. The report indicated it would take four to six months. He asked if Mr. Mellor thought the numbers would change their recommendation on the Draft Electric Financial Feasibility Study.

Mr. Mellor stated that one of the commentaries, Mr. Ash asked that they present in this report a comparison of the economic benefits of full municipalization versus community aggregation. They will include in their final report a brief comparison that will bring the two in perspective. It gives you the opportunity to look at the costs and risks associated with going one way or the other.

As far as community aggregation, they still don't have information from the California Public Utilities Commission (CPUC) regarding the exit fees that will be paid by those customers involved in community aggregation. Nor have they put out the rules. Those are going to be important to your decision as to whether it makes sense to go

ahead. There are a lot of things going on that are dependent on other bodies and other jurisdictions to help you make your decisions. At the same time, you can be the leader and go out and push on community aggregation to put pressure on the CPUC to move forward with the job of setting the rules for community aggregation, particularly the exit fees. He thinks that if he were sitting in the Commission's chair, he would like to see this report and compare the economic benefits of this alternative versus the community aggregation alternatives.

Vice-Chairperson Commissioner McGoldrick asked if the exit fees are shorthand for those PG&E costs that are reasonably attributable.

Mr. Mellor stated the exit fees are the responsibilities of existing customers to pay for State Department of Water Resources power purchases, for debts that were incurred by the state during a time that we had an energy crisis. They don't want new customers to leave PG&E or another investor-owned utility and escape their responsibility to make those repayments.

Ms. Young discussed dates for the next possible SFLAFCo meetings given the fact that R. W. Beck had indicated that they would need approximately four weeks. She suggested January 16 or 23rd for the next meeting. Unless she hears differently, January 16th will be the date for the next meeting. At the January 16th meeting, if we are insured that R. W. Beck would be able to come back with the analysis, that would be the meeting that would include a panel. She requested clarification on the Commission's intent around a panel. Was it strictly to have PG&E and R. W. Beck representatives, or whether there were other thoughts related to a panel?

Chairperson Commissioner Gonzalez stated that the Commission should hold off on the panel until a presentation is made on January 16th.

Alternate Commissioner Fellman asked if the purpose of the next meeting was to have R. W. Beck present the final report and then there would be another meeting to vote on whether we accept the final report. Is that correct?

Ms. Young and Chairperson Commissioner Gonzalez stated that was correct.

Commissioner Schmeltzer stated with that in mind, maybe we could set the meeting for a week later than the report is presented so there is time to review it and ask questions before voting on a final.

Ms. Young stated that would take it to January 23rd.

4. Future Agenda Items.

Alternate Commissioner Fellman stated that one of the underlying points that Mr. Mellor has mentioned and is important in the Commission's work has been the relationship of the study as to whether or not the acquisition of the distribution system is a vital policy decision for the City and County of San Francisco compared

to what is going on with community aggregation. She suggested that at the next meeting that there be a report from the SFPUC or the City Attorney's Office on the status of the City and County's work on community aggregation because they have been participating in doing work before the CPUC in that proceeding.

Chairperson Commissioner Gonzalez asked that this item be calendared.

5. Public Comment on Items not on the Agenda

Francisco Da Costa stated that at one of the earlier meetings he had proposed that there be a panel discussion for the public and that in these deliberations, the public has been left out. He is involved with a lot of meetings with the Jefferson transmission line and attended some of the public meetings in San Mateo recently connected to some of the deliberations being discussed here. He has also attended some of the meetings with SFPUC and he sees Mr. Ed Smeloff here. He is aware of how these discussions are going on with the community members. What is missing in this equation is a dialogue with the community. He is asking LAFCo to please have this panel discussion on the important issues that are being discussed here as follows: (1) the transmission lines; (2) the old power plants; and (3) the role of the players, PG&E and the City and County of San Francisco.

Chairperson Commissioner Gonzalez asked Ms. Young to consider the format for a panel discussion.

Ms. Young stated perhaps a meeting after January 23rd is appropriate once we get the information to set a panel discussion.

6. Adjournment

The meeting adjourned at 3:00 p.m.

San Francisco
Local Agency
Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT

JAN - 7 2004

SAN FRANCISCO
PUBLIC LIBRARY

AGENDA

Note: Each item on the Consent or Regular agenda may include explanatory documents, including Executive Officer report and public correspondence. These items will be available for review at City Hall, Room 244, Reception Desk.

Special Meeting
Friday, January 23, 2004, at 10:00 a.m.
City Hall, Legislative Chambers, Room 250

Chair: Commissioner Gonzalez; Vice-Chair: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate Members: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call.

2. Approval of Minutes for the Commission Public Hearings of November 14 and December 12, 2003 (Discussion and Action Item).

3. San Francisco Local Agency Formation Commission (SFLAFCo) Public Hearing on the Final Report on the Electric Financial Feasibility Study (Continued from December 12, 2003).

4. Discussion on the status of San Francisco Public Utilities Commission's work on Community Aggregation (Discussion Item).

5. Future Agenda Items.

6. Public Comment on Items not on the Agenda.

7. Adjournment.

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to LAFCo, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of LAFCo members. Any written comments should be sent to: Committee Clerk of LAFCo, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the Committee Clerk by that time may be taken directly to the hearing at the location above.

Cell phones, pagers and similar sound-producing electronic devices : The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

DISABILITY ACCESS

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142. There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

To obtain a disability-related modification or accommodation including auxiliary aids or services to participate in the meeting, please contact Monica Fish, Commission Clerk to SFLAFCo by mail to San Francisco Local Agency Formation Commission, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7702, by fax at (415) 554-7714 or by email at Monica_Fish@sfgov.org at least two business days before the meeting.

Chemical-Based Products: In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Clerk of the Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7724, by fax at (415) 554-5784 or by email at Donna_Hall@sfgov.org.

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.ci.sf.ca.us/bdsupvrs/sunshine.htm.

Lobbyist Registration and Reporting Requirements
Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign and Governmental Conduct Code Section 2.100) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102, telephone (415) 581-2300, fax (415) 581-2317 and web site www.sfgov.org/ethics.

Posted: January 7, 2004

San Francisco
Local Agency
Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

MINUTES

DOCUMENTS DEPT.

FEB 2 6 2004

SAN FRANCISCO
PUBLIC LIBRARY

Special Meeting
Friday, January 23, 2004, 10:00 a.m.
City Hall, Room 250

Chairperson: Commissioner Gonzalez
Vice Chairperson: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call

   The meeting was called to order by Chairperson Gonzalez at 10:15 a.m.

   Members Present: Chairperson Commissioner Gonzalez; Vice-Chairperson Commissioner McGoldrick; Commissioners Ammiano, Hall, Schmeltzer and Alternate Commissioner Fellman.

   Present: Gloria L. Young, Executive Officer and Nancy Miller, Legal Counsel.

2. Approval of Minutes for the Commission Public Hearings of November 14 and December 12, 2003 (Discussion and Action Item).

   No public comment. Commissioner Ammiano moved to approve the November 14 and December 12, 2003 minutes; Commissioner Hall seconded. The minutes were unanimously approved.

3. San Francisco Local Agency Formation Commission (SFLAFCo) Public Hearing on the Final Report on the Electric Financial Feasibility Study (Continued from December 12, 2003).

Ken Mellor, R. W. Beck gave a presentation on the Final Electric Financial Feasibility Study. Topics discussed were the September 23, 2003 Draft Report, public input, key changes in the final report from the draft report, and findings and conclusions. Recommendations were made to (1) proceed with a detailed appraisal; (2) evaluate costs and benefits of acquiring various parts of the system; (3) consider implementation of AB117 as the first step; and (4) develop a sound Management Implementation Plan. A presentation was made and is available at the Clerk of the Board's Office, Room 244, City Hall.

Questions and Answers

Vice-Chairperson Commissioner McGoldrick asked Mr. Mellor to explain why the issues around the transmission system are not favorable.

Mr. Mellor stated that the transmission system that they considered was the one that moves from the Martin substation north into San Francisco. There are 230,000 volt lines and 115,000 volt lines. Generally, those can be separated from a line point of view because at that high of voltage you do not get under-billed distribution lines and transmission lines on the same towers. But, you do have them going into the substations. There are approximately seven or eight substations that they did assume would be acquired and those transmission lines go into each substation. When you try to sever that substation and if you leave the lines under the ownership of PG&E, then you have this issue of where to make this severance. Where do you do the metering? From being involved in these types of activities in the past, that has always been a significant bone of contention. The investor-owned utility would typically say that you can't acquire a part of the substation and not another part of the substation, so you better go out and build a new substation. To eliminate those issues, it is assumed that you would acquire the transmission system.

Vice-Chairperson Commissioner McGoldrick asked for Mr. Mellor's opinion of the best and worst-case scenario regarding PG&E's cooperation.

Mr. Mellor stated that in the worst case, the severance is about $43 million. In the medium case, it is about $4 million, and in the best case it is about $2 million. There is a substantial difference in the three cases.

Commissioner Ammiano discussed community aggregation. The California Public Utilities Commission (CPUC) was being followed, and there was a resolution introduced that could have undermined the whole process of community aggregation. After conversations with his office and Commissioner Brown in addition to public testimony and advocacy, they were able to achieve a vote yesterday that was a win-win. It does show that they need to continually monitor the

situation because the political winds operate separately from the procedural winds that are here.

Commissioner Schmeltzer asked for a more detailed description of the components of the detailed study that was recommended in the final report.

Mike Bell, R. W. Beck stated that at one of the earlier LAFCo meetings, the question was raised as to the next logical step in this process. What they have discussed in the report is a valuation of a full appraisal of the system to determine the cost of acquisition between those wide ranges that are identified in the report. Based on the other work that had been in other areas, it is estimated that full appraisal would take about six months to complete, and the appraisal of the system would cost between $500,000 and $600,000. At that point, you would have a much more precise idea of the value of those facilities. That doesn't necessarily mean that that is the price that you could purchase them at because undoubtedly, if PG&E was an unwilling seller, they would attempt to either stop the process or obtain the highest price possible. But, it would give a much more precise number that the range of values that were identified by basically spending some time looking at the substations, the condition of the system here in the City, and spending a few days with engineering personnel looking at the system.

The step moving forward would be an appraisal to identify what that range would be and then at that point in time having those numbers, the decision would be made whether it would make sense to proceed. Given the condition of the system, it is suspected that there might be pieces you wouldn't want to purchase. At the same time, you could deal with the transmission and generation questions.

Alternate Commissioner Fellman stated that the report indicated that there would be instances where there are parts of the PG&E system that would have to be replaced. How could the City and County become involved at that point if there was a replacement required? Is that something that we could step in and build the replacement? Would PG&E have an automatic right to replace it?

Mr. Mellor asked for clarification of the question.

Alternate Commissioner Fellman clarified if for example, tomorrow we learn that PG&E needs to replace a section of its distribution system, could the City replace it and own that section of the distribution section rather than have PG&E do that replacement? Could we do it on a piece by piece basis?

Mr. Mellor stated that they had looked at a lot of cases for spot municipalization where somebody was going to add a whole new area in a currently unimproved area. So they are putting in a large new industrial tract or new residential subdivisions, and cities have decided that they can go in and just municipalize just that portion of the City and then own that part of the system and interconnect with whatever utility. Typically, it doesn't make sense. Part of it is the difficulty in serving

a little spot is who has responsibility to maintain reliability and metering issues. Even though it looks marginal in some cases, and in some cases if you were to look out twenty or thirty years, it looks very good. But, in the short term, it usually isn't. The same thing would be in San Francisco where if you have a specific line segment to sever that from PG&E and just own that one would be technically difficult.

Alternate Commissioner Fellman stated that Mr. Mellor raised another question as to what authority the City and County would have if it does not own the transmission and distribution system as community aggregation is brought in and loads are brought into the City that the City and County controls rather than PG&E. If upgrades on the system need to be made or service needs to be improved, what rights does the City have to have PG&E meet the community aggregation needs of the City and County?

Mr. Mellor stated essentially none. The whole concept of community aggregation is that you are using PG&E's system to deliver the power and the City would only be responsible for the energy supply. The customer would get two bills even though they may show up on the same piece of paper, one for energy supply for the City and then the cost of delivering that energy from PG&E. Under the rules of AB117, the City would have no authority over the quality of the distribution system.

Alternate Commissioner Fellman asked if PG&E has an obligation to maintain the system to provide reliable delivery for the City's loads under those circumstances.

Mr. Mellor stated yes, PG&E being regulated by the CPUC has standards that they are required to meet in terms of system reliability. In some cases, those are not as specific as you would like to see. If they were not to provide an acceptable level of reliability, that would become a CPUC issue.

Commissioner Schmeltzer stated that $500,000 to $600,000 is a substantial amount of money. However, the information obtained through that study would be substantial and important information. What are the components that we are looking at? Is there a way to break that down so the Commissioners could look at what the pieces of that study are and perhaps select parts of it?

Mr. Mellor stated that the $500,000 to $600,000 is the cost of an appraisal. That is going out and actually cataloging facilities, looking at their value, looking at the level of depreciation and coming up with something that would be sufficient to be able to take to court in a forced acquisition. PG&E is likely to force that to happen. You would have to go in and condemn the facilities. In order to condemn them, you would have to have that level of appraisal. What has been done so far is not at the level that would be sufficient for that kind of action. That is one of the pieces that you would have to do in order to go through a condemnation process. That does not include any of the legal fees or any of the other costs that would be associated with attempting to acquire the system.

Gloria L. Young, Executive Officer asked if the $500,000 to $600,000 for the estimated valuation of the system includes the Sound Management Plan?

Mr. Mellor stated that a Sound Management Plan is needed to move ahead and is a separate recommendation.

Ms. Young asked for the cost of the Sound Management Plan since it is separate from the appraisal cost.

Mr. Mellor stated there is no reference to who is going to be the acquiring entity. It was assumed all along it would be the PUC. The process of looking at a management system is being looked at. You would want to put together a project plan for this kind of activity. An estimate would be $200,000.

Ms. Young asked if the cost of the Management Plan could be amended into the Plan to give the Commission an average of costs for future discussion.

Mr. Mellor stated that they added $60 million dollars from their draft report to the final report for acquisition costs. That $60 million was intended to include costs like the appraisal, the management plan, legal fees, and other items. The costs are in the report, but not on a line-item basis.

Ms. Young asked for the information on a line-item basis.

Chairperson Commissioner Gonzalez asked if there was information requested from PG&E that was not provided.

Mr. Mellor stated that they went through a long and involved process. What happened is they got trapped into asking for more information than they should have because of the kind of questions that were coming and in some cases from PG&E. They were getting into more and more detail and reached a point where PG&E was not willing to provide it, and didn't have the budget to analyze it if they got it. At that point, it was decided not to ask for any more information. PG&E provided 90 to 95% of load information for customer classes. They also at the December 12, 2003 LAFCo meeting stated if more was needed, to call them. They were still offering to be more precise if needed. It was decided that with a level of 95% of information that was wanted, it was okay for the report. He would not criticize PG&E for not providing the requested data.

Mr. Bell stated the initial data request from R. W. Beck was quite detailed and asked for a good deal of information, much of which PG&E refused to deliver. That information would have made this process much easier in terms of the value and the economic analyses. PG&E was quite clear that was proprietary information and not much of it was available. As Mr. Mellor stated, a very good response was received about the load resource data and certain areas, and that had been incorporated into the final report.

Alternate Commissioner Fellman stated that she was confused as to where we stand with this study and the appraisal. It was indicated in the beginning of R. W. Beck's presentation that this would be a "fatal flaw analysis." The recommendation is it's worth looking into further to see if acquisition is appropriate. But, the way the appraisal is characterized, it was said that it is something you could take to court. It seems you have this document that says it is worth it to look at it and go forward. But is a middle step needed that says here is what we have analyzed, and it is really worth it to go forward before you take on the $40 million dollar battle of acquisition?

Mr. Mellor stated that he does not think you are going to be able to get much better certainty as to the outcome without going the full step. A wide range boundary was provided that allows you to make the decision as to whether or not the economics are worth enough to take on the battle. It was clear as to what they thought the risks were. The risks have been outlined in the report and they think that is a policy decision that needs to be made as to whether the benefits outweigh the risks or not. In almost all cases, the benefits were almost all positive enough to make moving forward look attractive.

Alternative Commissioner Fellman asked Mr. Mellor if it was his recommendation that the next step after doing an appraisal would be to acquire the system. Or are we taking the step to determine then at the end of the appraisal whether we should go to the next step?

Mr. Mellor stated that you wouldn't do the appraisal unless you had a strong indication that you were going to move ahead and try to acquire the system. This is a policy decision that says it looks good enough to spend that money. If there is a major division at the policy level as to whether this looks good, he would not move ahead with it. He thinks you wouldn't go out and spend $500,000 or $600,000 unless you have made the decision to move forward.

David Rubin, Director, Service Analysis, PG&E provided comments on the Final Electric Financial Feasibility Study and discussed concerns with the Study. Written comments are available at the Clerk of the Board's Office, Room 244, City Hall.

Mr. Mellor replied to Mr. Rubin's comments and concerns as follows:

> The criticism that the revenue stream would be lower under PG&E's assumptions rather than ours raises a number of issues. One is that PG&E's data was used, but one of the factors in PG&E's data is an average revenue per kilowatt hour from the large commercial industrial accounts. If you look at their large commercial industrial accounts across their system, you will find that many are served at transmission voltages and interruptible rates. You don't have those kinds of customers in San Francisco. When you look at their average revenue from that class of customer, were you to apply it to San Francisco, it would be too high or too low. That was taken into account in the analysis and increased the

average revenue per kilowatt hour to reflect the fact that there isn't a lot of those low revenue customers in the system. That makes up the difference between what PG&E is suggesting and what is in the report. It was looked at very carefully.

On power prices, one of the issues is that R. W. Beck used the Energy Commission prices and those same prices were included in the Energy Commission's projections at PG&E's rates. If you look at the Final Report, you will find that we moved away from using the Energy Commission's rates to rates that were more reflective of the concerns that PG&E raised, and the rates that were used in the long-term. Not just the year 2004, but for the long term those rates were below the California Energy Commission's projections which are based on the energy prices that were used in the report. Their view is that if in fact energy prices are higher than are used in the report, then PG&E rates will go up, and the actual estimates of PG&E's rates are low or are conservative as used in the report. One of the issues is that PG&E's critique always looks for the things they can attack, but they never look at the things where the assumptions are conservative. That is the case of the revenue levels long-term. They didn't attack those estimates because they are very conservative.

2004 seems to be a pivotal year. An assumption is that what has happened in the decisions is that it appears that the 8.2% rate increase or whatever increase it is that will come about in 2004 as a result of coming out of bankruptcy is a negotiated number. The way they did that was that they got a lot of benefit in the first year at the expense of later years. What you are going to have is a levelization of PG&E's rates, which do not necessarily track the costs that are outside of the cost contained in the decision. For that reason, PG&E's long-term rates have been understated in the report.

If you look at the analysis, you will find that 2003 has stopped being shown in part not only because that year is gone, but also because that year was a year before the assumed 8.2% rate reduction. The number used for the PG&E rate reduction may have been 6.8% or 7%. You would not go through this and acquire the system in 2004, 2005, or 2006. It would take at least that long. You have to look out when you are looking at what is happening out in those later years.

PG&E was asked what their revenue and rate projections were in the future. Partially because of the uncertainty that they had. During this process, they are going through the bankruptcy proceedings. They probably didn't have confidence in the data they had to turn over for the report. They didn't provide any help in estimating what future rates would have to be, so those had to be build up. The numbers are very conservative and the numbers that relate to revenues are probably lower than will actually happen. We do not have concern with that criticism.

PG&E talked about a change in the treatment of the capital additions. That was done. We said we were disadvantaging the acquisition of this utility by requiring them to pay as you go for all future capital additions. PG&E does not do it and other municipal utilities do not do it. For a startup utility, it was assumed that instead of a pay as you go, you would issue debt to pay for new capital additions. Yes, it spreads it out over the life of the facility, but that is what publicly-owned and investor-owned utilities do. They have debt. If you look at how their rate basis is established, you will find that a significant portion of PG&E's rate basis is depreciation. That is to recover the cost over the life of the facility. They don't go out and pay as you go for new capital additions. We didn't think we should put that burden on the publicly owned utility either. That is a general response to PG&E's concerns.

Ed Smeloff, Public Utilities Commission made the following comments:

He concurred with the last observation that Mr. Mellor made that long-lived utility assets should be capitalized. That is the proper way of distributing the costs across a rate-payer. It is certainly a normal way that a municipal utility would develop and finance new capital additions. He can give the Commission a considered response after review. The issue related to what power purchase commodity is going to be in the future--there is a lot of uncertainty about it. There is increased volatility in markets. A lot of the electricity commodity is tied to the price of natural gas. It will be the same whether the utility is owned municipally or if it is owned by an investor-owned utility. The exception is that a municipal utility decides to further diversify its portfolio and get additional non-natural gas resources as a way of hedging against that future risk of volatility in cost increases.

Public Comment

Tom Roberts made the following comments:

The acquisition cost is a major factor in whether this is financially desirable for the City to do. It looks like the range varies not only with the condition of the physical assets, but also the way that it is valued. He understands R. W. Beck doing a physical appraisal to know exactly what the condition is, but the question of book value versus replacement cost seems more important. He recommended that the City request that the City Attorney's Office look into that question and see if there is a legal precedence for establishing the real course measure of how these assets are valued.

Howard Ash, Energy Utilities Analyst made the following comments:

I have seventeen years of experience as an Energy Utilities Analyst and was recently appointed by the Board of Supervisors to the PUC Rate Fairness Board. There are issues about my comments about troubling statements that are

missing from the Final Report that were in the original report about community aggregation versus municipalization, about some basic math, and about whether the $500,000 or $600,000 is necessary. Most of my extensive written comments were ignored where it was suggested that certain omissions would be corrected or more detail needed--for example, the customer responsibility surcharges and the detailed net present value model. There isn't enough there to be convinced about the assumptions and the results.

There is a number of troubling statements in the Draft Report that are missing from the Final Report. One is the fact that a municipalized utility would have a tough time getting positive net present values, especially in the early years of the purchase. Those are gone from the Final Report. The Draft Report indicated that most of the benefits come from the elimination of these non by-passable charges late in the time horizon. Why did the net present value benefits occur now in the Final Report if not from the elimination of these non by-passable charges? From the Draft Report to the Final Report, R. W. Beck had gone from a 7 percent debt to a 6 ¼ percent debt. Obviously, that is going to help the financial situation, but there is no explanation why that change is made. If you are going to look critically at this report, you have to ask some critical questions as to what changed between the Draft Report and the Final Report.

The comparison between municipalization and community aggregation is missing. Mr. Mellor stated that they would provide that kind of comparison, and it is not in the Final Report. In the Final Report, R. W. Beck suggests a net income of $70 to $200 million per year from municipalization. San Francisco spends about $120-$125 million on distribution annually. If you add up all of the customer class and the rates they pay for distribution only, it is about $120 million. Can we really buy the system, pay the additional debt, spend the same for operations and maintenance, upgrade the old system that they are suggesting in the report, and still save 60 to 160 percent of our distribution cost? At the high level, the numbers are odd and suggest further analysis and inquisition by this Commission.

The $500,000 or $600,000 is not a good place to spend the money right now. It is obvious that a higher cost is going to be detrimental to the economics, and a lower cost is going to be favorable to the economics. Putting a finer point on that is not necessary at this time. Mr. Mellor stated at the December 12, 2003 LAFCo meeting that municipalization versus aggregation comparison should be the next step.

Ms. Young stated that the adoption and recommendation of next steps would be discussed at the February 20, 2004 LAFCo meeting.

Nancy Miller, Esquire stated that typically after meetings are concluded, a Resolution is brought to the next meeting that accepts the premises of the Report and then a recommendation is sent to the Board of Supervisors. The Commission

may want to discuss this issue in more detail today or on February 20th since there are a couple of next steps given the testimony today. We could ask further questions of the consultant or come back with a recommendation on this appraisal. The appraisal is not necessarily a LAFCo study. You do have the authority to make special studies of governmental services. An appraisal of the type that Mr. Mellor was talking about is a necessary step to implementation. It is also a study that presumably the Board of Supervisors would want to weigh in that next step. We will provide you on February 20th with that range of alternatives so that you can consider it in more detail. We did receive comments from SFPUC, which were responded to by the consultant and other written comments. The range of options will be available in sufficient time for the public.

Vice-Chairperson Commissioner McGoldrick asked if the range of options would be available in sufficient time for public access.

Ms. Miller stated the information would be available.

Alternate Commissioner Fellman recommended that the Commission ask the SFPUC to provide comments on the Final Report and recommendations that Mr. Smeloff offered. That would be useful to have in time for the next meeting.

Mr. Smeloff stated the comments would be available a week in advance of the next meeting.

Mr. Mellor discussed Mr. Ash's comments regarding the comparison of AB117 and full municipalization and made the following comments:

> He is correct and I did say we should do that. We had a problem because the AB117 analysis was based on different load and revenue projections that were different in the assumptions used in the AB117 study. A lot of things changed. In order to do the kind of thing that he wanted would have required us to go back and spend a whole bunch of time redoing the AB117 study. A graph on the comparison of municipalization and community aggregation was discussed and is available at the Clerk of the Board's Office, Room 244, City Hall.

4. Discussion on the status of San Francisco Public Utilities Commission's work on Community Aggregation (Discussion Item).

Mr. Smeloff introduced Sean Casey, Head of Regulatory Affairs at the SFPUC. A discussion was held on the status of SFPUC's work on community aggregation as follows:

> Community choice aggregation was authorized by legislation carried by Assemblywoman Migden in 2002. It allows cities and counties to aggregate the electrical load within its boundaries for the purpose of taking over the electric supply function, not the distribution function--going out and procuring the portfolio

of electricity supplies through contracts or ownership to meet the needs of residential and business customers. It allows cities and counties to take over the administration of the utility energy efficiency programs. That is one of the attractive features of community choice aggregation. In the long run whether your customers are going to have lower electric bills will depend a lot more on how effective and aggressive the City or the investor-owned utility implements energy efficiency side measures than managing the commodity, but both are important.

The legislation does set up requirements for the development of an Implementation Plan. It is the responsibility of the Board of Supervisors or the City Council of the jurisdiction to adopt an Implementation Plan and to submit that Implementation Plan to the State Public Utilities Commission. It has to be done at a public meeting. Before your members sitting as the Board of Supervisors would adopt an Implementation Plan, it really needs to be a detailed public participation community outreach program so that all sectors of San Francisco have a better understanding of community aggregation in order to give us their advice.

One of the most important things that would be the Board of Supervisors' exclusive responsibility is rate setting. You can't delegate that. That is going to be something that the Board can take on. You need to have both due processes as well as setting detailed rates. You would be taking over the function that is currently carried out by the CPUC, setting rates by different classes of customers, determining if you want to have rate structure that promotes conservation and how to do that. You may want to have a rate structure that protects certain classes of customers like the disabled or the people that need to use medical devices for life support. It would be a need as part of the Implementation Plan to put together a detailed process and set of rates.

There are a number of other things that can be delegated. Procuring the electricity commodity, doing the day to day scheduling so it matches the actual amount that is being injected into the grid that matches the load requirements of your customers, then the accounting functions, and the settlement with PG&E. They will still be doing the billing of electric customers, settling with them the accounts for providing electricity supply and their provision of distribution services. The Implementation Plan does require that you set forth or ask the PUC to set forth development of methods for entering and terminating agreements with electricity suppliers. There are a lot of parties that would like to partner with the City. You would have to decide how much you want to delegate to an electricity service provider, whether you want to have a stable of them or delegate to one.

You need to specify in the plan you are going to submit how you enter into these competitive solicitations, and how you would terminate any contracts with your suppliers. You would have to give a description of who the third party suppliers of electricity are. Then you need to make a clear statement of intent that the City

would provide universal service that it is prohibited by law to just serve residential customers, and not commercial customers and vice versa. A very important function and part of the Implementation Plan is that you will need to determine what the exit fees are. Those are the costs that PG&E has currently that are a result of prior decisions. The determination is similar to the decision of the Department of Water Resources to enter into contracts and responsibilities of the state to service certain revenue bonds that were issued following the energy crisis--perhaps even some of PG&E's bankruptcy costs.

The decision by the CPUC as to what those exit fees are going to be will determine in the near future the financial reliability of community choice aggregation. The Implementation Plan will be submitted to the CPUC. They don't really have the authority to reject the City and County's Implementation Plan, but they do have the authority to ask for more data and information. The CPUC could significantly delay the acceptance of a plan.

What are the benefits of a City and County in doing community choice aggregation? Importantly, the City would control the decision-making about electricity supply. If the City has high environmental values and wants to do a portfolio that is more on the green or renewable side, that would be a decision that City decision-makers would make, not the CPUC or the investor-owned utility, not even individual customers. That's an important benefit. It allows you to specify the portfolio.

We have an Electricity Resource Plan that lays out some very aggressive goals for San Francisco for energy efficiency and for clean and distributed generation. Being a community choice aggregator, particularly if you had a cooperative relationship with PG&E as a distributor could allow you to much more aggressively achieve those goals and bring new technology into play in San Francisco. Over the long run, there could be an opportunity for cost reductions for rate payers. The principal reason why you could have costs reductions is that it should be less costly for a City to develop new resources than a private entity. That is simply because the cost of capital is less for the City to use tax-exempt financing to develop, say wind generation or fuel cells. Over time as you are making investments, you would have a lower cost profile.

Where things are at the CPUC right now was discussed as follows: There is an active proceeding that started at the end of last year. A schedule had been developed and broken down into two components. There is the cost phase where this exit fee issue is going to be worked, and then there is the operational phase to look at some of the details of what would be expected of a City in submitting the Implementation Plan. I think it is beneficial that they have divided it up this way so we can focus first on the cost phase. What the CPUC has done is they have decided to do the first part of this cost phase in what we would call a workshop approach. More of a roundtable discussion among all of the parties that are part of this proceeding rather than a more formal litigated hearing

approach. If there are disputed issues that there is a consensus on in the workshop approach, you may see a movement to a more formal approach.

We think that this is a preliminary estimate that the final decision could be made by the CPUC on all the issues by the end of this year, perhaps early 2005. One of the things that can be helpful is to keep pressure on the CPUC to let them know this is an important issue for San Francisco and other cities. Who are the other parties in this? San Francisco is really perceived by the Commissioners and the Staff over there as the lead city in moving this forward. There are some other cities that are participating, Santa Monica, County of Los Angeles. Some of Los Angeles is served by a municipal utility, Department of Water and Power. But a lot of Los Angeles County is served by Southern California Edison. Chula Vista, so you have a city in the San Diego area that is intervening. Victorville and a couple of other cities. You also have the Local Government Commission which is a group of cities that are participating. All of the investor-owned utilities have an interest in participating in the proceeding. You have a couple of energy service providers that are potential partners for the City that would be interested in going out and doing some of the functions. Two of the companies that have intervened are called the Electric America and Constellation Energy. You do have rate-payer advocates such as TURN and Local Power that have intervened in the proceedings. TURN has an interesting position. The tension is if the exit fees are very low, the remaining costs are left on the remaining customers. So departing customers get a benefit. TURN claims they are looking at trying both sides to balance so that the remaining customers with PG&E aren't overburdened by benefits to departing customers.

The next steps for the City are to continue to participate in the CPUC proceeding. We have begun to form a coalition with other cities and we are trying to keep them informed, cities like Berkeley and Oakland who are interested but do not have the resources or motivation to be involved as we are. We have set up a list-share and providing information to these other cities. Then the next step would be to request additional data from PG&E as to more detailed load profiles by customer classes. That way we can better understand if we take on this responsibility, how much power we would need to serve each of these classes and what kind of load management activities we could target to each of these classes. PG&E has been cautiously cooperating up to this point. Their concern is the cost of providing data. They are providing some data, but are saying other data would have to be paid for.

Commissioner Ammiano stated that for the next LAFCo meeting on February 20th, the Commission would be discussing what course of action to take. People should not think or misunderstand that this is an either or. A step towards community aggregation does not necessarily have to aggregate power in the future or the whole issue of the transmission lines. Mr. Casey was asked to address the timelines. A decision would be made on February 20th according to the attorney. As understood from the attorney, an appraisal is not necessarily an implementation.

Ms. Miller stated that was correct.

Mr. Smeloff stated that the Board may be introducing an ordinance to move forward on having the SFPUC develop an Implementation Plan. You are asking me how would developing that Implementation Plan be coordinated with the rule making process that is still going at the CPUC.

Mr. Casey stated that SFPUC hopes that the CPUC would issue a final decision on both phases of the AB117 proceeding by the end of 2004. However, from experience with the CPUC, proceedings are frequently denied. It is suspected that CPUC would issue two decisions, one decision on the cost elements and the cost issues that might come by the Fall of 2004, but the decision on the transaction cost matters might not occur until sometime in the first quarter of 2005.

5. Future Agenda Items.

Ms. Young stated that the February 20th meeting is the first meeting for the 2004-2005 budget. As a part of the February 20th budget process, there is a need to work with the Commission Chairperson before the February 20th meeting. There is legislation that allows the Clerk of the Board to do so. February 20th is also the deadline for submission of the budget to the Mayor. There are requests that we have a 7.5 percent contingency to deal with the existing deficit that is in our current 2003-2004 budget citywide and a 15 percent contingency with respect to issues that are coming up due to the state budget for 2004-2005. Our budget being $404,000 would require a 7.5 percent reduction of $30,000 and a 15 percent reduction of $60,000. Ms. Young requested working with the Chair to implement and submit a tentative budget on February 20th pending the Commission's approval. The LAFCo budget process requires two hearings with a 21-day notice which is why a meeting was scheduled on February 20th and then a supplemental hearing after February 20th.

In addition, the Board of Supervisors Budget Committee requested that the LAFCo consider its role and whether or not there should be a continuation of LAFCo given the fact of the City's deficit and the $404,000 Commission budget.

Chairperson Commissioner Gonzalez agreed to meet with Ms. Young on budget discussions prior to the February 20th meeting.

6. Public Comment on Items not on the Agenda.

No public comment.

7. Adjournment.

The meeting adjourned at 11:48 a.m.

San Francisco
Local Agency
Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.4441
Fax. 415.554.5163

DOCUMENTS DEPT.

DEC - 6 2004

SAN FRANCISCO
PUBLIC LIBRARY

SAN FRANCISCO LOCAL AGENCY FORMATION COMMISSION
NOTICE OF PUBLIC HEARINGS
FRIDAY, FEBRUARY 4, 2005, 2:00 P.M.
FRIDAY, APRIL 15, 2005, 2:00 P.M.
City Hall, 1 Dr. Carlton B. Goodlett Place, Room 263

NOTICE IS HEREBY GIVEN, that two public hearings are scheduled to discuss the proposed SF LAFCo 2005-2006 Fiscal Year Budget pursuant to Government Code Section 56381. There will be other matters considered by the Commission at the February 4 and April 15, 2005, meetings which will be noticed separately.

More information will be available on the City's web site at www.sf.gov.org/lafco.

Gloria L. Young
Executive Officer, LAFCo
City and County of San Francisco

Posted: December 6, 2004

San Francisco Local Agency Formation Commission

DOCUMENTS DEPT.

FEB 1 3 2004

SAN FRANCISCO
PUBLIC LIBRARY

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

AGENDA

Note: Each item on the Consent or Regular agenda may include explanatory documents, including Executive Officer report and public correspondence. These items will be available for review at City Hall, Room 244, Reception Desk.

Special Meeting
Friday, February 20, 2004, at 10:00 a.m.
City Hall, Room 263

Chair: Commissioner Gonzalez; Vice-Chair: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate Members: Commissioners Peskin and Fellman
Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call.

2. Approval of Minutes for the Commission Public Hearing of January 23, 2004 (Discussion and Action Item).

3. Resolution accepting the R. W. Beck Final Report on the Electric Financial Pre-Feasibility Study (Discussion and Action Item).

4. SFLAFCo's Future Work Plan (Discussion and Action item).

5. Proposal for preliminary 7.5 and 15 percent Budget Reductions for the San Francisco Local Agency Formation Commission (SFLAFCo) for Fiscal Years 2003-04 and 2004-05 (Discussion and Action Item).

6. Public hearing to discuss the proposed SF LAFCo 2004-2005 Fiscal Year Budget pursuant to Government Code Section 56381 (Discussion and Action Item).

7. Future Agenda Items.

8. Public Comment on Items not on the Agenda.

9. Adjournment.

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to LAFCo, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of LAFCo members. Any written comments should be sent to: Committee Clerk of LAFCo, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the Committee Clerk by that time may be taken directly to the hearing at the location above.

Cell phones, pagers and similar sound-producing electronic devices : The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

DISABILITY ACCESS

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142. There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

To obtain a disability-related modification or accommodation including auxiliary aids or services to participate in the meeting, please contact Monica Fish, Commission Clerk to SFLAFCo by mail to San Francisco Local Agency Formation Commission, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7702, by fax at (415) 554-7714 or by email at Monica_Fish@sfgov.org at least two business days before the meeting.

Chemical-Based Products: In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Clerk of the Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7724, by fax at (415) 554-5784 or by email at Donna_Hall@sfgov.org.

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.ci.sf.ca.us/bdsupvrs/sunshine.htm.

Lobbyist Registration and Reporting Requirements
Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign and Governmental Conduct Code Section 2.100) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102, telephone (415) 581-2300, fax (415) 581-2317 and web site www.sfgov.org/ethics.
Posted: 2/12/04

San Francisco
Local Agency
Formation Commission

DOCUMENTS DEPT.

FEB 13 2004

SAN FRANCISCO
PUBLIC LIBRARY

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

REVISED AGENDA

Note: Each item on the Consent or Regular agenda may include explanatory documents, including Executive Officer report and public correspondence. These items will be available for review at City Hall, Room 244, Reception Desk.

Special Meeting
Friday, February 20, 2004, at 10:00 a.m.
City Hall, Room 263

Chair: Commissioner Gonzalez; Vice-Chair: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate Members: Commissioners Peskin and Fellman
Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call.

2. Approval of Minutes for the Commission Public Hearing of January 23, 2004 (Discussion and Action Item).

3. Resolution accepting the R. W. Beck Final Report on the Electric Financial Pre-Feasibility Study (Discussion and Action Item).

4. SFLAFCo's Future Work Plan (Discussion and Action item).

5. Proposal for preliminary 15 percent Budget Reductions and a Permanent 5.5 Percent Reduction for Fiscal Year 2004-05 for the San Francisco Local Agency Formation Commission (SFLAFCo) (Discussion and Action Item).

6. Public hearing to discuss the proposed SF LAFCo 2004-2005 Fiscal Year Budget pursuant to Government Code Section 56381 (Discussion and Action Item).

7. Future Agenda Items.

8. Public Comment on Items not on the Agenda.

9. Adjournment.

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to LAFCo, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of LAFCo members. Any written comments should be sent to: Committee Clerk of LAFCo, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the Committee Clerk by that time may be taken directly to the hearing at the location above.

Cell phones, pagers and similar sound-producing electronic devices : The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

DISABILITY ACCESS

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142. There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

To obtain a disability-related modification or accommodation including auxiliary aids or services to participate in the meeting, please contact Monica Fish, Commission Clerk to SFLAFCo by mail to San Francisco Local Agency Formation Commission, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7702, by fax at (415) 554-7714 or by email at Monica_Fish@sfgov.org at least two business days before the meeting.

Chemical-Based Products: In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Clerk of the Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7724, by fax at (415) 554-5784 or by email at Donna_Hall@sfgov.org.

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.ci.sf.ca.us/bdsupvrs/sunshine.htm.

Lobbyist Registration and Reporting Requirements
Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign and Governmental Conduct Code Section 2.100) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102, telephone (415) 581-2300, fax (415) 581-2317 and web site www.sfgov.org/ethics.
Posted: 2/13/04

San Francisco Local Agency Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT.

MAR 24 2004

SAN FRANCISCO
PUBLIC LIBRARY

MINUTES

Special Meeting
Friday, February 20, 2004, 10:00 a.m.
City Hall, Room 263

Chairperson: Commissioner Gonzalez; Vice Chairperson: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternates: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call

   Chairperson Commissioner Gonzalez called the meeting to order at 10:14 a.m.

   Members Present: Chairperson Commissioner Gonzalez, Vice-Chairperson Commissioner McGoldrick, Commissioners Ammiano, Hall, Schmeltzer and Alternate Commissioner Fellman.

   Members Absent: None.

   Gloria L. Young, Executive Office and Nancy Miller, Esquire, present.

2. Approval of Minutes for the Commission Public Hearing of January 23, 2004. (Discussion and Action Item).

   No public comment.

   Commissioner Schmeltzer moved to approve the meeting minutes. Unanimously approved with no objection.

3. Resolution accepting the R. W. Beck Final Report on the Electric Financial Pre-Feasibility Study (Discussion and Action Item).

Nancy Miller, Esquire stated that the Resolution before the Commission accepts and makes a number of findings consistent with the R. W. Beck Electric Financial Pre-Feasibility Study. The Resolution goes through the history of where we have been and where we are now. This Pre-Feasibility study is about acquisition of the entire PG&E system. In other words the municipalization of the electric supply, distribution, and transmission system. There are a number of critical questions to be answered. In the Pre-Feasibility study, the consultant found that certain next steps should be taken. The Resolution addresses recommendations as follows.

One of the first steps is the governance issue. What agency either within the City or a new entity should go forward with next steps? Those next steps start with the implementation of AB117. Who should determine the most likely agency? The R. W. Beck report suggested LAFCo. LAFCo is an entity that makes determinations about governance structures. However, LAFCo would not, without some sort of petition or resolution be able to implement. Alternative language was placed in the Resolution for the Commission to consider that would state that the Board of Supervisors in conjunction with the Mayor's Office would determine the most likely agency instead of LAFCo.

Chairperson Commissioner Gonzalez stated that he was not in favor of the alternative language because it goes into the question of implementation. Just as easily, you could say that the voters should decide. The LAFCo may be determining what they believe on the issue, but that does not mean what is decided may be adopted as San Francisco's policy because the Mayor and the Board of Supervisors plays a role in that.

Ms. Miller stated that she agreed with R. W. Beck's recommendation that the LAFCo determines the agency.

Chairperson Commissioner Gonzalez stated that the Resolution is not binding on any other entity that has a right to decide what the governing structure would be. Including the alternate language would not be consistent with the actions that LAFCo has taken in the past, which is not to pass a Resolution determining everybody that is going to participate in a decision.

Ms. Miller stated that the LAFCo is at the point at making some decisions. The next steps are about governance and logistics in putting implementation steps together rather than more studies. There are more studies, but they are in conjunction with implementation of some of the consultant's ideas. The consultant and Ms. Miller agreed that the LAFCo make the recommendations.

Chairperson Commissioner Gonzalez stated that the LAFCo does not have to declare that they would make a determination. It may come to the LAFCo because the Mayor, the Board of Supervisors or the voters approve something in which case

the LAFCo may be called upon to make recommendations about whether it is an appropriate governing structure. Rather than the alternative language, a recommendation was made that the language be changed to say that the LAFCo will determine this as they will be the originators of the discussion. He recommended that the language be softened.

Ms. Miller stated that the LAFCo can make recommendations as to the most likely agency. The remaining recommendations are consistent with what R. W. Beck has recommended. Costs were added that were in the report, but not necessarily in the formal recommendation so everyone knows the potential costs associated with the next steps.

The language agreed upon for Resolution recommendation 2a was as follows: "In accordance with state law, the Commission will consider and recommend the most likely agency and the form of governance for moving forward with more extensive facility valuation and planning." The alternative language for 2A was deleted.

No public comment.

Supervisor Ammiano moved to approve the Resolution as amended. The Resolution was approved unanimously with no objection.

4. SFLAFCo's Future Work Plan (Discussion and Action item).

Ms. Miller discussed the April 15, 2003 memorandum regarding the ability to suspend San Francisco LAFCo's activities. A discussion was held that many LAFCo's suspend activities because they do not have any applications or petitions before them. If the Commission decided they didn't have future agenda items, there are minimum requirements that a LAFCo would have. The only necessary activity is a website and to hold two public hearings a year until the Commission decided they had more activities. Required staffing is not really a cost item, but a designation that you designate on your website who the required staff is.

Chairperson Commission Gonzalez discussed the recommendations made in the Resolution. One of the purposes of the LAFCo is to provide the public, policy stakeholders, the Mayor's office and the Board of Supervisors, etc. with a certain amount of information. That is sometimes going to be responding to a particular issue that is being proposed for consideration by the voters however it might be implemented.

The other way would be to initiate an effort to generate that information that is then available to the policymakers as to whether they want to pursue a certain course of action. Much of what has transpired is the question of what is the kind of information that San Francisco would need to pursue public power. Part of that comes out in the Report's recommendations in Part V of the study which is on the question of a detailed appraisal and what that would cost. How beneficial would a detailed appraisal be to some of the decisions that an entity like San Francisco would have to

consider before moving forward? In the event that LAFCo would pursue a detailed appraisal, what would the life span of the appraisal be? How costly would it be to upgrade a detailed appraisal in the event that in a year or two its value would expire?

Mike Bell, R. W. Beck stated that the Pre-Feasibility study identifies a fairly broad range of potential savings based upon what the ultimate acquisition price value of the system, severance costs, etc. are. It is a fairly wide set of numbers. What the appraisal would do would be a more detailed inventory of facilities and assets to determine better what that acquisition cost might be. There still would be uncertainties. If the City were to move forward given what we heard from PG&E that they are not interested in selling their distribution system, they would contest what that price would be. It would likely be a big difference between one number and the other.

The initial decision that the City faces given what's in this report and analysis, is it in the interest of the City to pursue further along these lines of evaluation of these options? If so, then it is worthwhile to proceed with the valuation and other steps in the analysis. With regard to the question of the shelf life of the appraisal, that should be good for some period of time. Obviously, there are changes in the system that are taking place, but a full and complete inventory particularly of assets that have long lives is not unusual and we have seen a good part of this system in place for decades. The shelf life of that type of activity would be fairly long. As you go further out in time, it would be necessary to update that, but the bulk of the work would be in that initial analysis.

Chairperson Commissioner Gonzalez stated that whatever entity was going to pursue this could essentially guide itself through this more detailed appraisal. The problem is that when this is ever proposed the primary argument that we hear is that you can't even go down this path because there hasn't been an appraisal done, and the cost benefit analysis isn't thorough enough to make a decision. Ironically, that argument comes from the privately owned utilities and those members of the public that have legitimate concerns or want to proceed in a more cautious fashion. That being the case, it seems that taking what might be a more traditional approach by letting the entity decide for itself how they want to proceed doesn't work because the entity never gets created. Here we are as a LAFCo having at least done the preliminary work bringing us to a certain point. Whereas community aggregation has some very clear benefits, many of those benefits are short-term because eventually you are going to have some stabilization of the market. Some of the problems that led to the crises that we have been through are going to be eliminated. If we are going to get the benefits of better prices, part of that is going to come in by some sort of investment by the City.

Mr. Bell stated that their analysis was conservative and changes were made as a result of public comment. The savings identified based on that analysis range from five to twenty percent. Over an extended period of time, that is a substantial amount of money. However, there is considerable investment in terms of executing this type

of activity. That is in light of all of the other things that are transpiring in the City and all the other demands particularly in these difficult budget times. The numbers are here on a conservative basis that shows those savings. The tough decision is do you want to start down this path because it is timely, cost consuming and there will be a severe fight from the provider.

Commissioner Hall stated that some of the assumptions or numbers that were used were bothering him. In reviewing the comments in the study and then reviewing PG&E's and other private parties' comments, there is quite a disparity in the numbers from the purchasing of raw electricity to what PG&E has made in the way of profits. For example their gross income is stated to be up around $800,000,000 and PG&E is saying is closer to $600,000,000. The Guardian came up with a report showing them closer to $500,000,000. When you look at those numbers, it casts a shadow upon what is being said as being conservative numbers. He is not convinced that the whole package has to be looked at. Wouldn't we be better looking at aggregation as a first step? We have a study that says we can move in terms of aggregation.

He is unclear of the points and the analysis that is used to arrive at the conclusions as to how it relates to distribution. In the interest of what serves the City best in these times, if we were to move at all, it should be in the direction of aggregating and assure that is on a sound basis before a lot of money is expended to prove a point of distribution based upon disputed numbers.

Mr. Bell stated the aggregation, as Chairman Gonzalez identifies, does provide near term savings and that process is moving forward as Mr. Smeloff described at the last meeting. In terms of the conclusions in this report, it is suggested that what has transpired in the debate over the past three or four months are exactly the environment that would exist should the City move forward with any further review. Obviously, PG&E would be in their own interest protecting and submitting the highest numbers possible should it ever get to a court valuation of those facilities, and that is to be expected. You're not going to have a clear cut answer at any point unless you go down that path and determine what the value is. There is going to be arguments over these figures depending upon what side is being taken.

Commissioner Hall stated that a case could be made right now according to the study and what we have heard, that if the possibility is there that we can provide San Franciscans with cleaner cheaper power, that case can be substantiated. What he can't substantiate is going a step further and spending money on distribution when we are too far apart. He is not objecting to a first step.

Mr. Bell stated that the various parties have agreed and even PG&E hasn't objected to the first step. In that sense, if there is agreement among all the parties, that makes sense.

Commissioner Hall stated that if it were different budget times, a different approach might be taken.

Commissioner Fellman stated that we have to consider whether we want to do the valuation and whether LAFCo in these budget times should be doing anything other than what is minimally required under the statute. With respect to the role of LAFCo, it seems that LAFCo can provide a forum for developing information. LAFCo is not charged with doing implementation of certain energy policies. In fact, the SFPUC has taken the lead for doing the community choice aggregation policies. They have also taken the lead in developing an actual supply plan that would be implemented for the City.

With respect to the valuation of the system, we are not saying that this would be the first step in a takeover; we are saying this is an essential element of analysis that would provide information. A decision could be made as to what would be the next step. Obviously, we don't have the budget to do the whole study in one year. It would have to be over a couple of years, and we would have to look at that. She recommended that the LAFCo go forward and do the study to get those numbers that have been talked about and have a process where PG&E, the community, and public power supporters could comment on it. It could be done on a parallel track with what the CPUC is doing with community choice aggregation. It doesn't foreclose that. If you didn't do the study now, at a certain point in the future we may be foreclosed over the option of more local control over power which was the finding in the initial study that LAFCo did a couple of years ago.

Commissioner Ammiano stated that in some ways LAFCo is lucky to work with the Board to pick up some of the slack. An independent energy ordinance would be introduced on Tuesday on the community choice portion. LAFCo can be on parallel tracks. It is inevitable that there will be a ballot measure in the future. He concurs that budget times are tough, but looking at the study is important. There will be coordination necessary with the CPUC particularly around community choice aggregation. Even though the budget is tight, it is still a good precaution to take towards a study. Everybody has been talking about it for decades, and it is time.

Commissioner Schmeltzer asked if the whole Resolution or only Section A was adopted. The Resolution sets out what part of the future work plan is and talks about how the LAFCo is going to consider and recommend a likely agency to move forward, and that agency would proceed with the appraisal. Is that something that should be reconsidered?

Commissioner Hall asked if Commissioner Schmeltzer was asking what agency would move forward with the study?

Commissioner Schmeltzer stated that we are talking about whether the LAFCo would consider moving forward with the study, and that is the discussion being held. But, the Resolution says that the LAFCo would make recommendations about what agency should do that.

Chairperson Commissioner Gonzalez stated that the discussion on the recommendations made it clear that wasn't necessarily the intent, but it is certainly another option. During a period of time that this potential study is taking place and this is going to take a long time—there will also be a discussion about alternatives of what the governing agency would like. You are going to have supervisors coming forward with ballot measures. You may have LAFCo making a recommendation to the Mayor or the Board. We could go back and amend the language Subsection b to be more general.

Commissioner Hall stated that if the case for aggregating is made solid, wouldn't the voters be in a better position to look at the total package. If that is the ultimate goal of public power advocates, you are a lot stronger going in if you can say, here's a study and it's been proven that aggregating works. Cleaner, cheaper power can be provided to the citizens of the City. Now the next step is what can be gained through distribution. When we have fallacies in the study, and it is not to criticize the work as the work is great work, he thinks it is better to take the first step first, proving that, and then going on to the next step. There are a lot of questions about how this study was concluded. They are questions that come not only from the opposition raised by PG&E but by other people.

If our job is to recommend, he has no problem with first building a case for aggregating and then look at distribution after enough evidence has been acquired and it can be proved to the public. He doesn't know whether it is our step to take that study on or recommend it to another group. We're looking at $500,000 to $600,000 for a next step that is based upon some hazy conclusions. He would be reluctant to do that.

Chairperson Commissioner Gonzalez stated to Ms. Miller that on Subsection b, it would not be appropriate for the LAFCo to decide what that agency would be doing.

Ms. Miller stated that she had drafted "LAFCo or the agency above may proceed with the acquisition" getting back to the comments Commissioner Schmeltzer brought up. On the numbers and methodology, she is working with Sacramento LAFCo with SMUD who is looking into moving into the city of Davis and another county. They have prepared certain figures. PG&E has objected to those figures. During these proceedings, you never reach consensus on these figures, valuation methodologies, and rates because you are going out into the future so many years. There is a lot of room for controversy and reasonable differences of opinions on that. The consultant is right. You just have to get into the process in order to wade through some of those things.

Chairperson Commissioner Gonzalez stated that Commissioner Hall made a good point. The LAFCo did prioritize the community aggregation, put money aside, made that a priority because we saw that the benefits were clear and that was something that was extremely timely, and we needed to move on it. That's why Commissioner Ammiano is prepared to introduce his ordinance at the Board.

Commissioner Schmeltzer stated that she would not expect that there would ever be complete agreement about all of these figures. There is too much room for different methods of looking at them. Anytime you have entities that are going to use different methods; they are going to come up with different results. At the same time, she thinks that Commissioner Hall makes a good point that the more evidence that can be shown or looked to about how systems are being implemented by the City, the more we can show about the savings, the better position we are in to make a decision.

She doesn't think community aggregation is the only thing to look at. There are other public power initiatives, public power production projects that the City has been moving forward with. She is saying this partly because community aggregation is being held up at the state level, so there is going to be some time before we are going to be able to implement community aggregation and much farther before we are going to see any results. In some ways, community aggregation is a very different kind of program than hardwired infrastructure. We also do have the solar initiative and we have some other hard infrastructure generation projects that the City has been moving forward with that are points to consider as well.

Commissioner Hall stated that he is in total agreement with that. He is defining the line between that and distribution. He would rather look at those alternatives first and if we are going to spend money, go down that path because we are looking at solar and other renewables that can help LAFCo make that decision. But to jump in the distribution end when there is such a divergence of opinion as to what you can buy power for, what you can sell power for, there are other alternatives to look at first. He wold be careful about approving any more money to go down that path, $500,000 or $600,000 to look at distribution when there's other ends to look at. Accept the study for what it is and then maybe take another path that we are not talking about.

The Commission went back to Item 3 and rescinded the vote to approve the Resolution without objection.

3. Resolution accepting the R. W. Beck Final Report on the Electric Financial Pre-Feasibility Study (Discussion and Action Item).

Chairperson Commissioner Gonzalez stated that there is a question about how Subsection b should read. We have to make a decision whether as a LAFCo we are recommending given what we know in the Pre-Feasibility Study whether or not this should be pursued. If it should be pursued, what is the purpose of it being done in a particular way? Is it because the LAFCo or the selected agency would proceed with this alternative or to best analyze the cost benefits to the City or to add a similar statement? The question is not time specific; it may be that Commissioner Hall's point is the appropriate one in which we should pursue this at a later date. His inclination is to do it sooner rather than later. On the time issue, we should have a separate resolution whether we take these steps with our budget of the next one or two years. Whether we believe that that recommendation should be done for the

City to understand the cost and benefits. That is what came out of this Pre-Feasibility Report which as a preliminary matter, we think would be five to twenty percent savings. We can't be certain without hashing it out in a more detailed study. We agree with that. Whether we should pursue that study now is a separate question that should not be voted on in this Resolution.

Commissioner Ammiano agreed on the timing. He thinks we should go. But, if we want to have that have a life of its own in terms of this Resolution, then your recommendation is a good one. Is it an either or? Does community choice have to prove itself before? Or can you be doing the second step? Maybe it is not a mutually exclusive step. What you are recommending would not make it an either or.

Chairperson Commissioner Gonzalez stated that rather than identifying the LAFCo or some agency, it should be more generalized than that. It should just say that the City of San Francisco should proceed with this alternative to best analyze costs and benefits of the acquisition alternative. It doesn't make sense for the Commission to limit or identify the only entities that can do it. If the Mayor stepped forward tomorrow and said that he directed the PUC to contract with an agency to put this together, that would be fine. The LAFCo would not duplicate that.

Commissioner Fellman recommended that the Resolution have a section that the LAFCo would forward this report and resolution to the Board of Supervisors and the Mayor's Office.

Ms. Miller amended the Resolution subsection b to read "The LAFCo and or the City and County of San Francisco should proceed with a benefits analysis or the acquisition alternative and detailed valuation of the system." A number 3 was added to read "The Resolution and Final Report on the Electric Financial Pre-Feasibility Study (February 2004) shall be transmitted to the Board of Supervisors and the Mayor of the City and County of San Francisco. The Resolution was approved with the amendments with the following vote:

AYES: Chairperson Commissioner Gonzalez; Vice-Chairperson Commissioner McGoldrick; Commissioners Ammiano and Schmeltzer

NOES: Commissioner Hall

ABSENT: None

Gloria L. Young, Executive Officer stated that a memo was just hand-delivered from Supervisor Chris Daly who has indicated that San Francisco City Attorney Dennis Herrera released his opinion on February 4th with respect to avenues San Francisco could pursue to achieve the objectives of reliable electric service at reasonable rates under local control with accountability to San Francisco voters, and he outlined what those options are. Supervisor Daly also indicated that he hopes that the scope of the feasibility study would include all of the options identified by the City Attorney in

his opinion and that he would like to work with LAFCo to identify adequate funding to complete this critical feasibility. He suggested that we move forward to give decision makers information needed to proceed in an informed manner.

4. SFLAFCo's Future Work Plan.

Chairperson Commissioner Gonzalez recommended that the LAFCo work with the Executive Officer on breaking down what an actual appraisal would look like, what it would cover, how we would pay for it and come up with proposals.

Ms. Young stated that the question would be whether or not we continue to work with R. W. Beck on the next step proposal or whether or not at this point in time if the LAFCO is still interested in pursuing this that there should be a bid process. On the last two studies, we did in fact make amendments to the contract. As we pursue this further, we would need to look at whether LAFCo would be interested in a bid process. This doesn't preclude us discussing the current process, but we have depleted the funds associated with the contract for the Pre-Feasibility study.

Commissioner Ammiano stated that we should have a discussion and if there is a price tag, we need to know what the price tag is going to be.

Chairperson Commissioner Gonzalez stated that he thinks that the point Ms. Young made is a good one. This is a study that should probably be available to others to bid on. There are a couple of decisions. One is, does LAFCo want to pursue this now? The question is what the RFP would look like in terms of what should be included. That is what Supervisor Daly's letter addresses. Mr. Bell, insofar as R. W. Beck has been involved with the Pre-Feasibility study, should participate in what he believes the scope should be and has given some indication of what he could provide service for. Some of those options should be presented to the LAFCo at the next meeting.

Commissioner Hall asked about the type of funding available.

Ms. Young stated the next item on the agenda is the discussion on the budget. We do have to make a 5.5% cut and 15% cut contingency set aside. Currently, our budget is $404,250. Last year, we did encumber funds that were unexpended in order to support our activities in this fiscal year. We will most likely have funds left at the end of this budget process as well. So we need to think about that as we move forward.

There could be as much as $100,000 unexpended because legal counsel has not been used to the extent that we have in previous years. R. W. Beck did reduce their cost on the previous two studies. Given our balance at this point and given what is anticipated for the next several months, we would probably have at least $100,000 to carry over. Given the 5.5% cut that we are required to take, that would take us down to $384,000. The 15% cut needs to be identified, but is not necessarily one that will actually take place unless we are in that kind of situation as a City and

County. We were able to bring over $100,000; we would have $484,000 and that would have our professional and services contracts at about $390,000. We have set asides obviously for legal counsel. You are looking at the remainder that could be used for consultant services.

Commissioner Hall stated that about five or six months ago we had estimates to do a real comprehensive good study of up to $1,000,000. He does not want to shortchange the study. He appreciates Supervisor Daly's letter and the enthusiasm of going down that path and is not throwing water at that. What he is saying is to look at pursuing this if funds are available in the future. It is futile now to start going down the path of a study and only have $100,000 or $200,000 or $300,000 when we all know it is going to cost a million.

Ms. Young stated that the other alternative would be to look at whether or not if LAFCo wishes to continue and wishes to pursue the feasibility study, whether you partner with another agency or agencies to secure funding for it so it is not all out of LAFCo's pocket.

Commissioner Schmeltzer asked if the $384,000 was for next budget year.

Ms. Young stated the $384,000 was for Fiscal Year 2004-05, which is after the 5.5% reduction of our 2003-04 budget.

Commissioner Schmeltzer asked what we have left for this budget year.

Ms. Young stated right now we are currently at a balance of $258,000. That amount is not expected to be spent by the end of this fiscal year.

Commissioner Schmeltzer asked about the Sound Management Plan that is an item in the Resolution and how that fits into the overall picture.

Ms. Young stated that based upon what Mr. Bell indicated and based on the study both the appraisal and the $100,000/$150,000 Sound Management Plan would be necessary.

Commissioner Schmeltzer asked if that is the type of study that could only be done once we have a better estimate of the facilities.

Mr. Bell suggested that in terms of the timing and the funding, it would make sense to sequence the work such that the appraisal work is done first because you could very well find once you get into the appraisal that the costs are on the higher end. Then the condition of the system is such that it presents problems in which case you wouldn't want to expend the funds and get deep into a management plan. In terms of the discussion you are now having, it would make sense to sequence it so the appraisal work is started first. Then only if you are convinced that the numbers are there and worth proceeding forward, then a management plan would be developed.

Commissioner Hall asked whether it would be better to assure whoever undertakes that study, that they are going to be able to run the full distance. That they are going to be able to be funded in order to give the Commission the full information that is needed to make a recommendation or conclusion. He does not want to start anyone down a path with only a third of what is needed.

Mr. Bell stated that when you look at what the cities of West Sacramento, Davis, Woodland and SMUD are doing now, it is exactly that. They decided they didn't want a Pre-Feasibility study, although some entities like Davis studied the daylights out of it. They decided to do a full appraisal and basically determine whether or not this makes sense moving forward. In addition to that, they have written their proposal such that you look at each of those cities individually. So you look at it collectively, or you look at it on a piece by piece basis. However, they have had four entities among which to split those costs. That study, which SMUD and the cities are about to make a determination on probably will happen within a week or two, and those costs are going to be split four ways. You do not have that luxury here.

Commissioner Schmeltzer stated that when you look at this proposal for an acquisition study, are the facilities evaluated type by type? Do you look at things geographically or do you say we are looking at this type of station or this type of facility first?

Mr. Bell stated you look at all of the facilities because what you want at the end of the appraisal is a very detailed inventory of the age, condition, and value of the system so that if and when you wind up in a court, you have adequate data and background. You start out with facilities like transmission substations and work your way down a distribution subsystem. So essentially what you do is start with those large facilities and work your way into the lower voltage distribution system.

Commissioner Schmeltzer asked if there is an opportunity to say stop after the first tier of review, and say we looked at the substations and we are finding exactly what we thought we would find or nothing like what we thought we would find.

Mr. Bell stated usually when you get into that detailed work, you need to get into all of those facilities to evaluate that.

Chairperson Commissioner Gonzalez asked if it were a six-month process and if it would be over in a year.

Mr. Bell stated that was right. It would take six months if you were to start it and work your way through it on a continuous path. You could schedule it such that it could take a longer period of time.

Chairperson Commissioner Gonzalez stated that the question of how we would pay over time is different.

Commissioner Schmeltzer asked if there was a way to dip the toe in without diving all the way in and find out anything useful.

Mr. Bell stated you are going to learn as you go through. If you start with the most costly facilities such as the substations and such, you are going to capture most of that through that process. He does not want to discount the fact that there are a lot of miles of distribution facilities. There are underground facilities that are difficult to get to and look at. There is a lot of work involved in that process.

Commissioner Schmeltzer asked how much cooperation you would need from PG&E to do the study.

Mr. Bell stated usually in these situations, you get very little cooperation. It makes it more difficult particularly if substantial portions of the system are underground or otherwise difficult to access. But, there are ways by looking at equipment and such to evaluate the system. It is common that you have to work through those problems when you do this kind of analysis.

Vice-Chairperson Commissioner McGoldrick stated that the letter from Supervisor Daly is relevant in as much as he is Chair of the Budget Committee. He is committed and many of us are committed because in terms of finding money, we have to go to the Board of Supervisors. That's where we have gotten our money in the past. He thinks that the Supervisors when they are not Commissioners here would be giving serious consideration, as given in the past, funding LAFCo to the extent that LAFCo needs funding. We're foolish not to do so. It is obvious from the preliminary information here that there is a savings and the direction is an important boom to the economy. Long Island had a boom to their economy.

Mr. Bell stated it is important to note that in Long Island's case, that was not a contested arrangement. Nevertheless, a substantial reduction in rates was achieved.

Vice-Chairperson Commissioner McGoldrick stated that he recognizes the risks involved and the resistance that can be anticipated from PG&E. The issue around budget considerations is relevant given the fact that the current Chair is Supervisor Daly. We have seen a willingness on the part of this Board to study this issue carefully, and he would support going forward with a full analysis and the appraisal picture to know what we are talking about.

Alternate Commissioner Fellman stated that we need further information before we could decide on the next step. We have a number of decisions to make. If we did this on a bid process, how would Ms. Young go about designing the RFP? What would the elements of the RFP be?

Ms. Young stated that she would go about this the same way as any other process associated with RFP's. She would elicit the services of people who are knowledgeable about this kind of feasibility study to help assist in preparing this RFP

the same way we did for the Energy Services Study. We could either do an RFI to request information, or we could do an RFP which is the actual process. We could also work with staff on the PUC to support that effort in designing the RFP for the next steps. It would be difficult to use R. W. Beck if in fact they chose to bid for the process in terms of determining what the RFP might look like.

Alternate Commissioner Fellman recommended that for the next meeting we get a presentation from the Executive Officer as to what the elements of the RFP would be. We are not ready to launch this. It seems that there needs to be further discussion on what the elements would be, exactly what steps would need to be taken. How those could be phased or costed out. If you're in for a dime, you're in for a dollar. Or if you're in for $100,000, you're in for a $1,000,000.

Ms. Young stated that she could work with the Attorney's Office with our legal counsel, and a good deal of information is in our Pre-Feasibility Study as well.

Vice-Chairperson Commissioner McGoldrick stated that given the fact that R. W. Beck has gotten us this far and a lot of the information they have developed has been done by their staff, how about continuing their contract rather than do an RFP?

Ms. Young stated that is an option. We are not a public agency. We are not the first municipality to pursue this. We can get copies of RFP's that have been issued for similar things and derive from information that might be valuable to LAFCo.

Alternate Commissioner Fellman asked if we could get some people who have had experience from the public agency side with this exercise and have that information available when we are making that decision. Have them come to our next meeting and make a presentation.

Ms. Young suggested that if we are not anxious about this, that you give us the following meeting to pull together a better presentation. March 19th is our next meeting. If we have a meeting after that date, it would allow us time to pull together a better presentation.

Vice-Chairperson Commissioner McGoldrick stated that if we scope out what we want, that we leave open the option that we don't necessarily do an RFP. We have already dealt rather successfully with R. W. Beck. There may be cost savings associated with the fact that they have developed a body of knowledge. He is not uncomfortable with just staying with R. W. Beck and moving forward. There would be time savings involved as well and the time savings are crucial.

Ms. Young stated that R. W. Beck has been a good organization to work with. However, you may want to consider a bid process because we have continued to do amendments to the agreement.

Chairperson Commissioner Gonzalez stated that we do want these different options to consider in the future.

Mr. Francisco DaCosta inquired about the object of today's debate, whether it is to save money or to prove that the City could do distribution. Or are quality of life issues being addressed that activists have fought for for the last two years and hasn't been debated in the dialogue. The City started with a deficit of $150,000,000. It may go up to $400,000,000. As far as PG&E is concerned, they were bailed out $8,000,000,000. There is no way that the LAFCo can take on PG&E at this time with the fiscal constraints. The activists have met with SFPUC, CPUC, and CALISO. Up to today, they can't get any emperical data and without this data, there can be no headway. In order to get emperical data, they need the full cooperation from PG&E and CALISO. They've been studying the transmission lines and they feel that if they have the true picture of the transmission lines, they can shut down both the power plants and save the number of debts that are happening in the Southeast sector. Nothing of which has been mentioned here.

Mr. Matt Lonner, PG&E Government Affairs stated that if you recall last year when LAFCo was taking up the issue of the Pre-Feasibility Study, he raised the issue of the cost of valuation. Commissioner Gonzalez asked the question of the consultant who in fact conceded that the cost of a valuation study consistent with previous studies would be around $800,000 to $1,000,000. It is not $500,000 to $600,000. That doesn't get you there. The other point that he disagrees with Commissioner Fellman with the characterization that valuation is not necessarily the first step in municipalization. In fact the consultant said last week that you wouldn't pursue the valuation unless you were moving in the direction of municipalization. It is not an effort of providing information. It is an effort to promote the effort of municipalization which your consultant has not laid the foundation for.

It's easy to characterize PG&E as providing information that is in the extreme to protect our own business interests. Certainly, we are going to protect our business interests. Taken the revenue issue, which we have discussed, there is no methodology to what PG&E provided. They provided actual revenue numbers. It is not a methodology. The methodology is to take that information and turn it into a $200,000,000 difference by the consultant. He takes exception that we are somehow characterizing information in a certain light or another light. The cost of electricity is not characterized or using a methodology—it's the going rate that you could find by looking at the Dow Jones 15-day ahead at 4.5 cents a kilowatt hour, not three cents a kilowatt hour. That is not methodology. That is not PG&E characterizing information. He understands the direction that this Commission is heading. Given the outcome so far, it doesn't justify additional expenditures on more studies.

Mr. Andrew Bozeman, Bayview Hunter's Point stated that in listening and reading the report, he is outraged and amused. As Mr. DaCosta said earlier, they have been fighting for a long time to get attention to what PG&E is doing to their community. This shows that PG&E is doing it to everyone. We're all in the same boat. The

condition of their system, the concealment, the misdirection that they are giving shows that they have been getting away with a lot for a long time now. There is something we need to do perhaps with the help of the CPUC, although they may be involved in it. It is sad to see that things are in such bad shape, and that they can't find out the truth. The dream of changing it for the better will have a lot of resistance and a lot of obstacles to overcome.

5. Proposal for preliminary 15 percent Budget Reductions and a Permanent 5.5 Percent Reduction for Fiscal Year 2004-05 for the San Francisco Local Agency Formation Commission (SFLAFCo) (Discussion and Action Item).

   Chairperson Commissioner Gonzalez asked Ms. Young to put the discussion into context within the framework of LAFCo's budgetary powers not being constrained by the City and County. His understanding is that LAFCo is agreeing to reduce the budget in this manner which is not something we have to do. It is important to keep in mind that all of the actions taken with the AB117 study was essentially alleviating funding by another City department, the SFPUC, which otherwise would have had to come up with the funds to do the study. This isn't just a state agency that doesn't have regard for what is happening in the City.

   Ms. Young stated the Chair has stated it correctly. The Cortese-Knox-Hertzberg Act requires that the LAFCo adopt a budget and when it was revised, it set the fact that your adopted budget could continue to be your budget unless LAFCo chose itself to reduce its budget. What you have done over the last two years, is adjust your budget based on the Mayor's instructions with respect to reductions that were being taken throughout the City and County of San Francisco. That is not a requirement of LAFCo—that is something you have done over the last two years.

   You did state that some of our studies have offset the need for other agencies to do similar types of studies like AB117. What you have before you is a budget that is in line with the Mayor's instructions for 2004-05 which is a 5.5% cut for that fiscal year as well as a 15% contingency. This is a policy decision for the LAFCo. As stated for the previous item, your current budget for 2004-05 is 404,250 with a 5.5% cut that is a required cut if LAFCo chose to do so, that would reduce the budget to $384,037 and then there would be a 15% contingency. We have reduced for the 5.5% reduction $2713.00 from professional services. We have also reduced the City Planning amount that was allocated at $17,500. That was in case we needed any minimum services from Planning. We haven't needed any assistance from Planning over the last several years so we reduced that amount to come to the $20,213.00.

   For the 15% we are taking the $57,606 from the professional and special services. The LAFCo budget is a line item and it does affect the Board of Supervisors' overall budget. That has been the case for the last several years even though it is a state agency and could set aside funds. We have complied with the Mayor's budget instructions and the Board of Supervisors has accepted our recommendations and appreciated that. She went before the Budget Committee last week and they were appreciative of the fact that this was going to be recommended to LAFCo to adjust

its budget by the 5.5% and the 15% contingency. Supervisor Daly at the last Budget Committee indicated the LAFCo may look at other revenue sources if in fact LAFCo pursues other feasibility studies. She recognizes that they are two separate agencies and is doing her best to keep those separate.

Commissioner Ammiano moved to approve the budget reductions for Fiscal Years 2003-04 and 2004-05. Unanimously approved with no objection.

6. Public hearing to discuss the proposed SF LAFCo 2004-2005 Fiscal Year Budget pursuant to Government Code Section 56381 (Discussion and Action Item).

   Ms. Young stated that adoption of the budget would be at the March 19, 2004 LAFCo meeting as two public hearings are required to adopt the budget.

7. Future Agenda Items.

   Public Comment

   Mr. Francisco DaCosta stated that a number of people of the Southeast sector challenged the San Francisco Environment and the CPUC ruled in favor of the community based organization. In their meetings with the SFPUC, they asked PG&E to supply them with information as to why the Mission blackout affected such a large area. The information has not yet been received. He had missed the last LAFCo meeting because he was at the cruise terminal workshop for two days. At that workshop, they had experts that gave some emperical data about the air flow and how certain noxious remained in certain areas in the City. We now have emperical data that the two power plants do create a certain area where noxious do remain that affect the health of our children and elders and resulted in infant death mortality.

   No further discussion.

8. Public Comment on Items not on the Agenda.

   No public comment.

9. Adjournment.

   The meeting adjourned at 11:45 a.m.

San Francisco
Local Agency
Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT.

MAR 1 0 2004

SAN FRANCISCO
PUBLIC LIBRARY

AGENDA

Note: Each item on the Consent or Regular agenda may include explanatory documents, including Executive Officer report and public correspondence. These items will be available for review at City Hall, Room 244, Reception Desk.

Special Meeting
Friday, March 19, 2004, at 10:00 a.m.
City Hall, Legislative Chambers, Room 250

Chair: Commissioner Gonzalez; Vice-Chair: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate Members: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call.

2. Approval of Minutes for the Commission Public Hearing of February 20, 2004 (Discussion and Action Item).

3. Public hearing to discuss the proposed SF LAFCo 2004-2005 Fiscal Year Budget pursuant to Government Code Section 56381 (Discussion and Action Item).

4. Discussion on Elements for Inclusion in a Request for Proposal (RFP) for an Electric Valuation Study (Discussion and Action Item).

5. Future Agenda Items.

6. Public Comment on Items not on the Agenda.

7. Adjournment.

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to LAFCo, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of LAFCo members. Any written comments should be sent to: Committee Clerk of LAFCo, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the Committee Clerk by that time may be taken directly to the hearing at the location above.

Cell phones, pagers and similar sound-producing electronic devices : The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

DISABILITY ACCESS

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142. There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

To obtain a disability-related modification or accommodation including auxiliary aids or services to participate in the meeting, please contact Monica Fish, Commission Clerk to SFLAFCo by mail to San Francisco Local Agency Formation Commission, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7702, by fax at (415) 554-7714 or by email at Monica_Fish@sfgov.org at least two business days before the meeting.

Chemical-Based Products: In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Clerk of the Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7724, by fax at (415) 554-5784 or by email at Donna_Hall@sfgov.org.

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.ci.sf.ca.us/bdsupvrs/sunshine.htm.

Lobbyist Registration and Reporting Requirements
Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign and Governmental Conduct Code Section 2.100) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102, telephone (415) 581-2300, fax (415) 581-2317 and web site www.sfgov.org/ethics.

San Francisco
Local Agency
Formation Commission

Government Information Center
Main Library (41)

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT.

JUN - 3 2004

SAN FRANCISCO
PUBLIC LIBRARY

MINUTES

Special Meeting
Friday, March 19, 2004, 10:00 a.m.
City Hall, Legislative Chambers, Room 250

Chairperson: Commissioner Gonzalez; Vice Chairperson: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternates: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call

   Chairperson Commissioner Gonzalez called the meeting to order at 10:10 a.m.

   Members Present: Chairperson Commissioner Gonzalez, Vice-Chairperson Commissioner McGoldrick, Commissioners Ammiano, Hall, Schmeltzer and Alternate Commissioner Fellman.

   Members Absent: None.

   Gloria L. Young, Executive Officer and Nancy Miller, Esquire, present.

2. Approval of Minutes for the Commission Public Hearing of February 20, 2004. (Discussion and Action Item).

   No public comment.

   Commissioner Hall moved to approve the February 20, 2004 meeting minutes; Commissioner Ammiano seconded. Unanimously approved with no objection.

3. Public hearing to discuss the proposed SF LAFCo 2004-2005 Fiscal Year Budget pursuant to Government Code Section 56381 (Discussion and Action Item).

Gloria Young, Executive Officer stated that the budget was presented to the Commission at the February 20, 2004 meeting. If adopted, the amount budgeted for Fiscal Year 2004-2005 would be $384,307. There would be a set aside of 15% contingency if dollars are needed by the City and County of San Francisco. All supporting information was included in the packet.

Public comment from Francisco DaCosta inquiring that since the monies are allocated by the state, why LAFCo would be subject to a 15% reduction. Monies could be used to address issues facing the constituents especially in the Southeast sector.

Ms. Young stated that contingency funds have not been determined yet and is a set aside. LAFCo is a state agency and their funds are not under the jurisdiction of San Francisco. It has been the past practice of presidents of LAFCo to support the Board and its agencies and the City and County of San Francisco by acknowledging and supporting any deficits that affect the state. It is a policy decision of the LAFCo if they choose to do otherwise.

Chairperson Commissioner Gonzalez stated the public speaker is making an assumption that the budget is paid for by the state and that is not correct—it is out of City and County monies.

Ms. Young stated it is City and County monies.

Chairperson Commissioner Gonzalez stated that although LAFCo is a state agency, we are not subject to the constraints or mayoral requests that we reduce our budget in any way. But, generally, it has been done historically and sees no reason not to cooperate.

Ms. Young stated that most LAFCo's throughout the state have other jurisdictions and projects that support their revenue source. It is not just from one City and County—we happen to be both. It is local funds that support LAFCo in its entirety.

Motion to approve the proposed 2004-2005 LAFCo Fiscal Year budget by Commissioner Ammiano; Commissioner Schmeltzer seconded. Unanimously approved with no objection.

4. Discussion on Elements for Inclusion in a Request for Proposal (RFP) for an Electric Valuation Study (Discussion and Action Item).

Ms. Young stated that the LAFCO received the potential elements for inclusion in an RFP for an Electric Valuation Study. In preparing the RFP, several RFP's were reviewed, conferred with legal counsel, members of the Commission, and the American Power Association.

Ms. Nancy Miller, Legal Counsel introduced Arlen Orchard, General Counsel from the Sacramento Municipal Utility District (SMUD) to talk about elements and issues they were confronted with. SMUD is in the process of expanding their jurisdiction to include a portion of another county that is currently served by PG&E. They recently published an RFP proposal.

Transcription of Mr. Orchard's presentation:

Arlen Orchard, General Counsel, SMUD stated that he would discuss background information on SMUD. We are a publicly owned agency, a political subdivision of the State of California. We are governed by a seven-member elected Board of Directors. Currently our service territory encompasses all of Sacramento County and a small part of Placer County. Approximately a little more than a year ago we were approached by several jurisdictions in Yolo County including the cities of Davis, West Sacramento, and Woodland to consider annexing all or a portion of Yolo County into our service territory, an area currently served by PG&E. There were a number of public hearings held by our Board as well as the Boards of the other jurisdictions, and we did an internal pre-feasibility study to determine, as LAFCo has, whether it was worth considering taking the next steps and doing an entire feasibility study.

In that pre-feasibility study, we looked at a high level as to whether there were any technical concerns with regard to serving the territory in terms of supplying energy to that area. We also looked at whether there were any high-level concerns that would have an impact to our existing customers and to our type facilities such as our call center, etc. We determined after that first look that it appeared that it was technically feasible and it appeared at first economically feasible to consider and proceed. We spent about a three- to four-month period developing a request for proposal. Our situation may be a little different that the City and County of San Francisco in that we are an existing utility and have a fair amount of internal expertise in a number of areas. Our RFP was not all encompassing and we specifically did the study believing it was more appropriate. But, the bulk of it included the RFP. The RFP went out in October. We did some site visits etc. with the potential proposers. We got proposals back at the end of January and conducted about a six-week evaluation and presented the results of that evaluation to the Board yesterday indicating we awarded the contract to R. W. Beck.

Within the RFP itself, there were a number of cost categories that were looked at. We wanted to consider initial acquisition costs, ongoing O&M costs, debt service costs, severance costs which are costs that we would pay PG&E for disrupting their system essentially. So, if certain transmission facilities were acquired and certain things had to be rerouted, then we would be responsible for those costs. Interconnection costs with regard to the Independent System Operator System. Additionally, our system is configured and designed differently than PG&E's so there were upgrade costs in order to meet our operating criteria, which is essentially a more reliable system since we have a loop-flow system. In addition exit fees were

looked at. Those are the broad cost categories that were included in the RFP for consideration. We also asked in the RFP to consider three scenarios which are not applicable to LAFCo's situation. We asked them to look at annexation of West Sacramento alone, annexation of West Sacramento and the city of Davis alone, and then the annexation of all three jurisdictions together.

In addition, we broke the RFP up into three broad categories. The first was to consider transmission issues. Those types of things were to consider the identification of those facilities, what the optimal configuration or reconfiguration of those facilities would be, what the system separation or severance costs would be and then the valuation of the transmission assets. When you are undertaking a condemnation proceeding as you are aware, there is the obligation of the public agency to compensate the party.

There are a number of ways that you can value those assets. There are four ways that are typically used. We are having our consultant evaluate all four scenarios because that is the band width for performing the economic analysis. The first is the net book value which is looking at the full depreciated cost that is the one anyone who is condemning any property looks for because that is the cheapest. There is replacement cost new less depreciation which is what it would cost to build the system now less the depreciation of the existing system. That is the one typically that investor-owned utilities will argue for because that yields the highest return for them. There is a capitalized net income approach which is a revenue-based approach which puts it somewhere in between the two. There is another one called a comparable sales approach where you look at the acquisition of other similar systems.

Commissioner Ammiano asked if labor costs are involved because PG&E has their own union.

Mr. Orchard stated that no, because we are not annexing a really large area there will probably be minimal impact to either PG&E's workforce or our workforce. In fact the same unions that represent PG&E's field forces represent ours, that's the IBEW. To the extent there are additional openings, we would absorb those workers into our workforce.

Commissioner Ammiano asked if SMUD was going to purchase the transmission lines that PG&E uses currently.

Mr. Orchard stated we would be considering whether it makes sense to purchase those as a part of that analysis. I am unfamiliar with the San Francisco area's configuration of your system, so I am not sure whether transmission facilities would be impacted.

Commissioner Ammiano asked if eminent domain plays a part.

Mr. Orchard stated yes, that is in the acquisition. Once annexation is approved, that is the next step to exercise eminent domain powers.

Commissioner Ammiano asked if SMUD just deals with utilities, not cable or garbage.

Mr. Orchard stated we are solely an electricity provider in the area.

Continuation of Mr. Orchard's presentation: In addition to the transmission system, we also needed to look at start up costs in case the configuration resulted in us needing to construct new transmission. New transmission tends to be relatively expensive and difficult from a siding standpoint and normally does pose some environmental challenges. In addition to the transmission system, we needed to perform a similar type of analysis with the distribution systems that we would be acquiring and probably the largest single impact there is any configuration or upgrades that would need to be done to PG&E's aging facility to bring it into compliance with our operating standards. I understand from having read through the pre-feasibility study, that is an issue that you will also be facing.

Beyond the physical assets themselves, a key part of the economic analysis that would be done is to look at load and revenue projections. We are asking R. W. Beck to develop customer-mixed profiles, load profiles, estimate load growth over the next twenty years, and project revenues by rate classes over the next twenty years to determine whether economically this is a feasible venture for current ratepayers and our potential new ratepayers to undertake. In addition, part of that would be to develop rate schedules that take our existing rate schedules and compare them directly to PG&E's rate schedules folding in all of those costs to determine the ultimate impact on each rate class. We will be looking at the residential ratepayer class, the small commercial, agricultural etc. to determine whether there are any potential negative impacts on any specific rate class. That is the broad general scope of the RFP. We have provided your staff with a copy of the RFP that went out and hopefully that will be helpful in developing your own RFP.

Internally, there were additional things for staff to consider as part of an adjunct to that feasibility study. Those areas were energy supply issues. How are we going to get the electrons, where are we going to get them from and what will that mix look like? Are there any challenges given that there are green volatility in the natural gas market which is expected to continue for a number of years? Impacts to our call center? Impacts if any to our administrative services and how the increased burden on staff would be and how it would be absorbed into our current services? Impacts to our field forces--whether we need to augment those in order to maintain reliability not only for our current customers, but for our potential new customers. Overall reliability of the system--whether there would be any potential impacts there. Also the final thing that we reserved to staff was the consideration of the legal process related to annexation and acquisition of the system and moving through the Sacramento County LAFCo and the elections that would be required. That is the overview of the RFP.

I was asked to talk a little bit about the evaluation criteria that we employed if that would be helpful. We did not look strictly at price. We have a program which is our equal opportunity business program and local compliance amounted to 10 percent of the evaluation criteria. The next evaluation criteria were company attributes and services. That is specifically to look at the experience and results that the company, the proposer, has achieved in these areas. Before we were actually looking for companies that have worked for both investor-owned utilities and public organizations in the past doing annexation studies or a broad breadth of experience in doing some very large annexation studies in the past. That accounted for another ten percent of the evaluation criteria. Thirty percent of the evaluation criteria was to look specifically at the team that was being brought to the table and the team in each category looking at things like valuation and transmission planning, economists, etc. That accounted for thirty percent of the evaluation criteria. Another thirty percent was the methodology that would be employed by the team, valuation and analysis type areas and finally, price and compliance with our commercial terms was 20 percent of the criteria.

As you can see, we really weighed the evaluation much more heavily on technical expertise and past experience rather than price. The reason we did that was we felt it was very important that whoever was chosen and the study ultimately developed would have a high degree of credibility both to give our elected officials and the elected officials in the other jurisdictions confidence and good information so they could make a decision, but ultimately it was most important to have a high degree of credibility for the electorate who would be asked to vote for this issue. That is why we weighted those areas much more heavily.

The one thing I would add in selecting an ultimate contractor is that obviously putting together a very tight well defined RFP with the expectations and the requirements is essential. Equally and even more important is the team that will evaluate those proposals. I would urge you to consider the need for subject matter expertise in a number of areas because the valuations are very specialized. Transmission planning is very specialized and folks who generally might be evaluating the normal and typical RFP probably do not have the expertise necessary to evaluate. Consider people who have expertise in transmission and distribution planning, operations, with rates and pricing, customer service, and economic analysis. Include load forecast as well as energy supply to be part of the evaluation team in determining the best contractor for the job if in fact you decide to move forward.

Commissioner Schmeltzer asked what the price was of the winning RFP.

Mr. Orchard stated that the final contract number was approximately $499,000 which was the award for the study. The work will begin around April 1st. The study is expected to run probably through the first part of November. We are planning at this time tentatively a presentation to our Board and the Boards of the other jurisdictions probably late November or early December. The price range is in those evaluations which were deemed a responsive range from the high $300,000 to just about

$500,000. That is consistent with our initial assessment of what we expected it to come in at.

Commissioner Schmeltzer asked for the size of the service area that is being annexed. Customer wise?

Mr. Orchard stated it is nowhere near the size of San Francisco from a customer account, but bigger from a geographic standpoint. The total population for the three cities is approximately 150,000 people. Woodland is the furthest away from Sacramento County and that is about 18 miles away.

Commissioner Fellman asked what the Board's goal for the study results is. How will you be using the results of the study?

Mr. Orchard stated the Board's goal is to have the best available information in order for them to continue to consider whether annexation makes sense, not only from our existing ratepayer owners, but also from our other jurisdictions. These are things that our Board will be looking at beyond just the hard economics. There are some qualitative measures that come into play. There are things like is reliability enhanced? Is customer service impacts to our customers and potential other customers—are there improvements? Local control will obviously be an issue and expressed as a benefit that the other jurisdictions see. From that standpoint, the thing they are most concerned about is if there is a reflection of community values. SMUD places a high degree of importance upon renewable resources. Those are some of the qualitative considerations our Board and the other jurisdictions will look at. The purpose of the study is to have the best available information.

Commissioner Fellman asked going into the study, your pre-feasibility study said it looked like it would be a good idea, but it is not a foregone conclusion at this point?

Mr. Orchard stated that was correct. Our pre-feasibility study indicated that it was potentially a good idea, but that further study was needed so it was worthwhile taking that next step knowing there were a lot of uncertainties that would be uncovered and addressed in the full feasibility study.

Commissioner Fellman asked if the City of Sacramento has any impact on the SMUD Board? You mentioned that you would be going through the Sacramento LAFCo. Do you also have to go down to those local jurisdictions?

Mr. Orchard stated that SMUD is an independent agency with independent authority that derives from legislation called the Municipal Utility District Act and that is where the Board's powers derive from. While we work cooperatively with the City and County and other jurisdictions in our area, we are not subject to any governance by any other agency in that area. But we are subject to the LAFCo process with regard to the determination whether annexation is in the best interests of all the parties. We will be working through that LAFCo process should our Board and the other elected Boards choose to proceed with annexation after the feasibility study.

Commissioner Fellman asked with respect to the elected Boards, is it the Board of Supervisors or are there are separate Public Utility Boards that have been formed in each of these jurisdictions?

Mr. Orchard stated that the city of Davis actually looked at one point in forming a Municipal Utility District or doing a City utility and decided because of their small size it was not economically feasible to do so. That is the genesis of their approaching us. If they were to be annexed into our territory, our Board would be redistricted in order to provide representation for those jurisdictions also.

Transcription of Mr. Smeloff's presentation:

Ed Smeloff, Assistant General Manager, San Francisco Public Utilities Commission stated that your staff has sent over to me an outline of the Elements for Request for Proposal to review. I would like to provide you with general comments. In comparison with the SMUD organization, there is considerably more internal technical expertise in Sacramento at SMUD than we currently have at the SFPUC. This draft outline includes a variety of functional analyses that is being suggested to be done. Some of that falls into what I would call an appraisal, which is what R. W. Beck recommended as the next sequential step for moving forward on the acquisition of the PG&E system.

So there are several elements here that relate to an appraisal and I will just note what those are. The first is really fundamentally identifying all of the properties and coming up with a valuation of each of those properties. As Mr. Orchard mentioned, there are several methodologies for determining what the acquisition cost is for them. I think you will need as part of the appraisal process to think through which of those approaches you want to take, whether you want to ask the consultant to do multiple approaches such as the original book value minus depreciation versus new minus depreciation or capitalized income approach. I think all of those approaches would be valuable for the Commission and the Board of Supervisors to understand as you go forward to see what the relative range of acquisition costs could be under those different approaches.

It is important at this point in time if you want to go forward to determine what if any severance costs there is going to be associated with acquisition of the system. A key decision that will need to be made is whether the City and County of San Francisco want to acquire the transmission assets and the distribution assets in San Francisco or to acquire just the distribution system. There is a substantial transmission system at 115Kv and 230Kv in San Francisco, 13 underground transmission lines, and 5 major substations. That will be a substantial component of any acquisition. To move into the business of providing electricity it is not necessary to acquire the transmission system. You could acquire the distribution system at lower voltages. You need to make a key decision when you go out with the RFP what properties you are going to conduct an appraisal on.

Your fourth point, which is evaluation of the cost and benefits of the acquisition of the system, is what has already been done by R. W. Beck in their preliminary analysis? Obviously, once you have gotten a more detailed cost estimate of the system, you will want to do a follow-up and a more detailed cost benefit economic analysis. The question you might want to consider is do you want to roll that analysis into an RFP for an appraisal, or do you want to then follow up afterwards and do a economic analysis once you have gotten the numbers in on the cost of the system. You have a whole variety of other activities in this outline, which fall outside of what I would call the appraisal process. You have a number of issues related to legal and regulatory issues such as identify any FERC issues, identify stranded costs. In those areas rather than having an appraiser or a firm that does engineering analysis, you probably want to bring in resources that have the appropriate legal expertise.

Vice-Chairperson Commissioner McGoldrick asked Mr. Smeloff to repeat what those other legal and regulatory issues are.

Mr. Smeloff stated you have identified stranded costs, which is an issue related to regulatory authority. Are there going to be exit fees? Are there going to be stranded costs? You would need to bring in expertise that can look at those issues both at FERC and at the California Public Utilities Commission (CPUC). You have a broad general category. You might want to ask the City Attorney to comment on this. Identify any FERC issues. As an aside, maybe Mr. Orchard can comment on this. There may be some legal analysis that you want to keep protected and maintain attorney-client privilege on and other issues that relate to an RFP that you might be comfortable having that information out in the public domain or ask your own City Attorney counsel on that issue.

You have addressed potential legal consequences requiring PG&E transmission and distribution system. It is obviously a very different question than the question of a cost estimate of that system. You have other issues that really relate to organizational structure. What is the appropriate organizational structure for a utility in San Francisco? That is a question that goes beyond the scope of an appraisal. You need to think through and I can assist you on this—the sequence of these activities. If you want to go forward, what are the crucial steps in the evaluation process that you need to take? Obviously the next step as recommended by Beck is to move forward with an appraisal of PG&E's properties.

Commissioner Hall stated that you are talking about four or five steps that need to be taken where the costs are unidentified at this time. In order to get a complete true bonified package that would allow this group or some other body to make a decision. That is what I was saying last time. I think what you are laying out for us today is proof of that. I would love to have a study that would analyze what you are saying. I hate putting studies on top of studies, but I can that this type of thing, the four or five elements that you mentioned require a separate look with money identified to each phase, legal, stranded benefits and then we could make a decision

to say "at that time, let's move ahead or let's not go in that direction, let's perfect what we had already done."

Mr. Smeloff stated, I concur with your observation. You need to do an appraisal of acquiring the system. You need to do an estimate of what the severance costs are, any additional improvements to the PG&E transmission and distribution system to have it function as an integrated system in San Francisco. A whole separate issue that you are considering as a part of community choice aggregation is what is the cost and the portfolio of electricity supplies that you are going to use to provide that service. You are looking at that separately. What is the cost of the start-up of assembling the appropriate personnel?

Commissioner Hall stated that it is not just the thought can we acquire the transmission and distribution. It's not that simple. There are about five different things that we have to look at. If we leave that uncovered, we are leaving ourselves vulnerable along the path of public power. That is the original goal here.

Mr. Smeloff stated that you should take it sequentially. You may find there is a fatal flaw in just the oath containing the distribution system. It will be an interesting endeavor identifying what the value of the downtown network system is going to be. If you are interested as a matter of policy in proceeding forward, that would be the next logical step to do the appraisal of the distribution and transmission system as was recommended by R. W. Beck. The critical policy question is if the City were to go into business, do you want to be in the transmission business or just the distribution business.

Chairperson Commissioner Gonzalez asked Ms. Young to give the Commission a sense of how to proceed. It seems that the RFP can be put together and presented to the Commissioners at a future meeting and we can make a decision as to what should be included and what should not be included and take steps from there.

Ms. Young stated the process for developing the elements including sending a copy to Mr. Smeloff was to also get input from the American Public Power Association (APPA) as well as to review several of the RFP's that were brought to my attention from other consultants. I agree with Mr. Orchard's comments as to when this process came to bear, it would be important for us to have a team of experts sit on a panel as we did with the Energy Feasibility Study. There was a team of three consultants taking part in the RFP to do an Energy Services Study. I agree to bring back more information after taking into consideration comments made at today's meeting. Mr. Smeloff mentioned from the legal issues involved in this process and also from talking to our legal counsel, Ms. Miller, we would also involve the attorneys that work with PUC in terms of looking at the process. In talking to Commissioner Schmeltzer, it was reiterated that the first steps would be the appraisal. We could also phase this process and bring you back that information at the next Commission meeting.

Chairperson Commissioner Gonzalez agreed and then at that time the Commissioners could take a position as to what should be included or not included.

It was agreed to tentatively schedule the next meeting on April 16th.

Public Comment

Mr. Francisco DaCosta stated that he had listened to Mr. Smeloff's comments carefully and they have had several meetings with the community-based organizations, but what has been left out besides some of the critical elements like the appraisal, the distribution, is how are we going to deal with the old power plants? The two power plants do play a role and are linked with the distribution and the transmission. The Jefferson Martin transmission line and its impact have not been addressed. The environmental issues especially linked to the Southeast Sector. The idea that the SFPUC and the City are pushing for the peakers. That has not been addressed. The real issues as to who is going to operate it and manage it when it comes to the Unions. Most importantly, the money. Suppose PG&E demands a billion dollars. Do we have the money? Right now we have a deficit of $350,000,000 plus. How are we going to address that? Initially, he suggested that some monies have been set aside for LAFCo. We need every dollar so that some studies can be done. He had pleaded with LAFCo to have a panel discussion to hear about it and his request has been neglected. CEO's need to play an important role on the various flowcharts and the distribution. Mr. Smeloff has brought CAL ISO and PG&E to us. He recommended that Mr. Smeloff tell this body if those CEO discussions were truthful.

Mr. Smeloff stated that if you are going to do an appraisal, you do want to make a decision of whether you want to acquire the generation in the City. My assumption was that you did not. That (1) Hunter's Point is going to be shut down in the near future so that it is not going to be an operating power plant and (2) the power plant in Potrero is already 38 years old, the main one and the other three peaking plants are 27 years old. If it is in the City's interest to acquire the existing generation, then that would certainly impact the design of your RFP. You do need to make a policy decision about the acquisition of generation.

On the other issues I will acknowledge we have had somewhere in the neighborhood of 15 meetings with a variety of community-based organizations such as the ISO, PG&E, CPUC staff, Energy Commission staff to better understand as a community what the long-term needs are for both transmission, generation and demand-site programs for San Francisco and the greater Bay Area. It's been fruitful. It's been a good education process. After this meeting, I am going to try to produce a consensus statement for the work we have done over the last year or so.

On the Jefferson Martin, that is outside of the scope of your study here. Jefferson Martin is a proposed transmission line that PG&E intends to build in San Mateo County. It will improve the flow of electricity if other things occur as well in terms of improvement of the transmission system in San Francisco. But, it's not something

that has been built so it is not something you would be thinking of acquiring. It is also something outside of San Francisco County.

Chairperson Commissioner Gonzalez stated that it seems that the rights to take over construction of that line would be relevant.

Mr. Smeloff stated what would be more relevant—San Francisco actually owns a high voltage transmission system that comes down from Moccasin up in the foothills and terminates at the large Newark substation. To be able to deliver our hydro-electric power into the City having transmission lines to go from Newark across the Bay up the peninsula to the large Martin substation in Daly City would be a valuable resource and something people have discussed building many years ago. Building high voltage overhead transmission lines in a dense urban area, which the Bay Area is, is very controversial and would be very expensive. The Jefferson Martin transmission line is estimated to cost about $200,000,000. It's a 26-mile line largely on SFPUC watershed property.

This item has been continued tentatively for April 16th.

5. Future Agenda Items.

   No public comment.

   No discussion held.

6. Public Comment on Items not on the Agenda.

   No public comment.

7. Adjournment.

   The meeting adjourned at 11:02 a.m.

San Francisco
Local Agency
Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.4441
Fax. 415.554.5163

DOCUMENTS DEPT.

DEC - 6 2004

SAN FRANCISCO
PUBLIC LIBRARY

SAN FRANCISCO LOCAL AGENCY FORMATION COMMISSION
NOTICE OF PUBLIC HEARINGS
FRIDAY, FEBRUARY 4, 2005, 2:00 P.M.
FRIDAY, APRIL 15, 2005, 2:00 P.M.
City Hall, 1 Dr. Carlton B. Goodlett Place, Room 263

NOTICE IS HEREBY GIVEN, that two public hearings are scheduled to discuss the proposed SF LAFCo 2005-2006 Fiscal Year Budget pursuant to Government Code Section 56381. There will be other matters considered by the Commission at the February 4 and April 15, 2005, meetings which will be noticed separately.

More information will be available on the City's web site at www.sf.gov.org/lafco.

Gloria L. Young
Executive Officer, LAFCo
City and County of San Francisco

Posted: December 6, 2004

San Francisco Local Agency Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT.

MAR 3 0 2004

SAN FRANCISCO
PUBLIC LIBRARY

AGENDA

Note: Each item on the Consent or Regular agenda may include explanatory documents, including Executive Officer report and public correspondence. These items will be available for review at City Hall, Room 244, Reception Desk.

Special Meeting
Friday, April 16, 2004, at 10:00 a.m.
City Hall, Committee Room 263

Chair: Commissioner Gonzalez; Vice-Chair: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate Members: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call.

2. Approval of Minutes for the Commission Public Hearing of March 19, 2004 (Discussion and Action Item).

3. Discussion on Elements for Inclusion in a Request for Proposal (RFP) for an Electric Valuation Study (Discussion and Action Item) (Continued from the March 19, 2004 Meeting).

4. Future Agenda Items.

5. Public Comment on Items not on the Agenda.

6. Adjournment.

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to LAFCo, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of LAFCo members. Any written comments should be sent to: Committee Clerk of LAFCo, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the Committee Clerk by that time may be taken directly to the hearing at the location above.

Cell phones, pagers and similar sound-producing electronic devices : The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

DISABILITY ACCESS

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142. There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

To obtain a disability-related modification or accommodation including auxiliary aids or services to participate in the meeting, please contact Monica Fish, Commission Clerk to SFLAFCo by mail to San Francisco Local Agency Formation Commission, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7702, by fax at (415) 554-7714 or by email at Monica_Fish@sfgov.org at least two business days before the meeting.

Chemical-Based Products: In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Clerk of the Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7724, by fax at (415) 554-5784 or by email at Donna_Hall@sfgov.org.

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.ci.sf.ca.us/bdsupvrs/sunshine.htm.

Lobbyist Registration and Reporting Requirements
Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign and Governmental Conduct Code Section 2.100) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102, telephone (415) 581-2300, fax (415) 581-2317 and web site www.sfgov.org/ethics.

Posted: May 31, 2004

San Francisco
Local Agency
Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT.

APR 16 2004

SAN FRANCISCO
PUBLIC LIBRARY

NOTICE OF CANCELLED MEETING

SAN FRANCISCO LOCAL AGENCY FORMATION COMMISSION (SFLAFCo)

NOTICE IS HEREBY GIVEN that the special meeting of the SFLAFCo scheduled for Friday, April 16, 2004, at 10:00 a.m., at 1 Dr. Carlton B. Goodlett Place, Room 263, City Hall, San Francisco, California, has been **cancelled**.

Gloria L. Young
Executive Officer, LAFCO
City and County of San Francisco

SAN FRANCISCO LOCAL AGENCY FORMATION COMMISSION (LAFCo)
City Hall, Room 250
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

IMPORTANT NOTICE !!

San Francisco
Local Agency
Formation Commission

DOCUMENTS DEPT.

MAY - 4 2004

SAN FRANCISCO
PUBLIC LIBRARY

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

AGENDA

Note: Each item on the Consent or Regular agenda may include explanatory documents, including Executive Officer report and public correspondence. These items will be available for review at City Hall, Room 244, Reception Desk.

Special Meeting
Friday, May 28, 2004, at 2:00 p.m.
City Hall, Committee Room 263

Chair: Commissioner Gonzalez; Vice-Chair: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate Members: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call.

2. Approval of Minutes for the Commission Public Hearing of March 19, 2004 (Discussion and Action Item).

3. Discussion on Elements for Inclusion in a Request for Proposal (RFP) for an Electric Valuation Study (Discussion and Action Item) (Continued from the March 19, 2004 Meeting).

4. Future Agenda Items.

5. Public Comment on Items not on the Agenda.

6. Adjournment.

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to LAFCo, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of LAFCo members. Any written comments should be sent to: Committee Clerk of LAFCo, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the Committee Clerk by that time may be taken directly to the hearing at the location above.

Cell phones, pagers and similar sound-producing electronic devices : The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

DISABILITY ACCESS

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142. There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

To obtain a disability-related modification or accommodation including auxiliary aids or services to participate in the meeting, please contact Monica Fish, Commission Clerk to SFLAFCo by mail to San Francisco Local Agency Formation Commission, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7702, by fax at (415) 554-7714 or by email at Monica_Fish@sfgov.org at least two business days before the meeting.

Chemical-Based Products: In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Clerk of the Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7724, by fax at (415) 554-5784 or by email at Donna_Hall@sfgov.org.

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.ci.sf.ca.us/bdsupvrs/sunshine.htm.

Lobbyist Registration and Reporting Requirements
Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign and Governmental Conduct Code Section 2.100) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102, telephone (415) 581-2300, fax (415) 581-2317 and web site www.sfgov.org/ethics.

Posted: May 4, 2004

Government Documents Section
Main Library (2 copies)

San Francisco Local Agency Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

MINUTES

Special Meeting
Friday, May 28, 2004, 2:00 p.m.
City Hall, Room 263

Chairperson: Commissioner Gonzalez; Vice Chairperson: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternates: Commissioners Peskin and Fellman

Clerk: Monica Fish

DOCUMENTS DEPT.

JUL 28 2004

SAN FRANCISCO
PUBLIC LIBRARY

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call

   Chairperson Commissioner Gonzalez called the meeting to order at 2:12 p.m.

   Members Present: Chairperson Commissioner Gonzalez, Commissioner Ammiano, and Alternate Commissioner Fellman.

   Members Absent: Vice-Chairperson Commissioner McGoldrick, Commissioners Hall and Schmeltzer

   Gloria L. Young, Executive Officer, present.

2. Approval of Minutes for the Commission Public Hearing of March 19, 2004. (Discussion and Action Item).

   No public comment.

   Commissioner Ammiano moved to approve the March 19, 2004 meeting minutes. The meeting minutes were unanimously approved with no objection.

3. Discussion on Elements for Inclusion in a Request for Proposal (RFP) for an Electric Valuation Study (Discussion and Action Item) (Continued from the March 19, 2004 Meeting).

Gloria L. Young, Executive Officer stated that the panel discussion that the LAFCo had at the March 19 meeting about the proposed elements for inclusion in a RFP was informative. If LAFCo chooses to move ahead with the RFP, she recommended that the Commission take those comments into account. Both Mr. Orchard and Mr. Smeloff agreed that experts would be needed to (1) scope out the RFP and the evaluation criteria and (2) examine the RFP's that are received from consultants. It was recommended that a Subcommittee of the LAFCo be established to be involved in the process.

A presentation was made regarding the outline of elements for the RFP: Valuation of PG&E's Facilities regarding Acquisition, Transmission and Distribution which is available at the Clerk of the Board's Office, City Hall, Room 244 for public review and is discussed in the following paragraphs.

Ms. Young recommended that the respondents to the RFP receive background documents referenced in the RFP that would include the Energy Services Study, AB 117 Study, Electric Financial Pre-feasibility Study, and the City's Electric Resources Plan. The LAFCo Commissioners have received copies of RFP's for the Sacramento Municipal Utility District, North Carolina and Palm Springs in addition to The Economics of Electric System Municipalization prepared by the Association of Bay Area Governments (ABAG) that had specific information about San Francisco for their review. The elements of the proposed RFP take those reports into account.

Consultant services would be needed in the following areas: engineering and technical and financial and legal. The LAFCo could employ current legal counsel or consult or contract with other legal consultants if the Commission finds necessary. The scope of work was reviewed by Ed Smeloff, SFPUC, LAFCo's legal counsel, Nancy Miller, and a member of the staff from American Public Power Association (APPA).

The phases of the project should include (1) facilities acquisition including severance cost; (2) forwarding ongoing operations and maintenance costs; (3) capital plan for transmission and distribution system upgrades (e.g. under-grounding); (4) energy supply acquisition; (5) evaluation of stranded costs/exit fees; (6) economic analysis by rate class and cost of service; and (7) legal strategy/cost. In a meeting held with Commissioner Schmeltzer this morning, she was adamant that the team of experts should definitely have engineering, technical and financial experience.

Alternate Commissioner Fellman asked if there would a separation between the transmission and distribution system or if it would be a total analysis.

Ms. Young stated that the Commission would need to make that determination. Mr. Smeloff submitted comments about this subject that Ms. Young will discuss later in

the presentation. In reference to acquisition, as a follow-up to the pre-feasibility determination that R. W. Beck completed, this would add to it by completing the identification of all of the facilities to be appraised, included, but not limited to, the substations, poles and vaults. A detailed appraisal of the net book valuation, original cost minus depreciation including replacement costs new less depreciation and comparable sales of other similar systems. In addition, the capitalized net income would be studied.

If the scope of work included transmission, a consideration of the optimal configuration or reconfiguration of the facilities would be required. If the study looks at the value of the high voltage transmission system, it should include all of the assets north of the Martin substation. It should identify operational and maintenance costs; debt service costs; severance costs including what costs would be paid to PG&E for disrupting their system; exit fees and interconnection costs with regard to the Independent System Operators.

Alternate Commissioner Fellman asked if the study of the appraisal of the net book value (original cost minus depreciation) would provide a preliminary cost assessment or one that you could take to the bank that could be used for regulatory or legal purposes.

Ms. Young stated that would be a decision for the Commission, but she would hope it would be the cost that you would take to the bank.

Alternate Commissioner Fellman asked if the cost associated with the Independent System Operator would be the cost of the City and County of San Francisco establishing new interconnections.

Ms. Young stated that was correct.

Alternate Commissioner Fellman asked to explain the severance costs that would be paid to PG&E for disrupting their system.

Ms. Young stated those costs have not all been identified and would have to be defined. A number of stranded costs would have to be considered that have not been identified at this stage because this is just an overview of the scope of work. Experts would be solicited to write the RFP.

Commissioner Ammiano asked if the work would be pro bono.

Ms. Young stated that she always looks at pro bono work first.

Alternate Commissioner Fellman asked if the severance costs would be more than what is considered to be a stranded cost under the California Public Utilities Commission definition.

Ms. Young stated that was true.

Ms. Young stated that on transmission, elements such as valuation of the transmission assets, condemnation issues, potential compensation to PG&E and consideration of start up costs would be considered. On distribution, valuation of PG&E's system regarding distribution, configuration, upgrades and compliance with operating standards would be considered.

A note from Mr. Smeloff was read asking the Commission to take into consideration the following:

> To move into the business of providing electricity did not require acquiring the transmission system, and in addition, it would be useful to have the costs of acquisition of the distribution system separate from the cost of acquiring the combined transmission and distribution system.

Alternate Commissioner Fellman stated that when the Commission is looking at the implementation of Community Choice aggregation, the City and County can proceed without the acquisition. They are on separate tracks.

Ms. Young stated that is what she understood from Mr. Smeloff. Economic and financial analysis is to (1) analyze the customer-mixed profiles load profiles; (2) estimate load growth for a set period of years; and (3) to project revenues by rate class current and future rate customer services as well as rate schedules, including but not limited to, residential ratepayer class, small commercial, etc.

Alternate Commissioner Fellman stated that the CPUC voted out the PG&E rate case yesterday. LAFCo will have a better idea what the cost allocations will be moving forward.

Ms. Young stated that on the legal and stranded cost issues, the following elements would be needed (1) availability of records and data—disclaimer and confidentiality provisions; (that was in each of the example RFP's distributed to the Commission); (2) condemnation, referendum, and municipal law implications (Ms. Miller had done part of the work previously); (3) ongoing steps during condemnation; and (4) options for financing.

R. W. Beck's estimate of the cost was between $500,000 and $600,000. One of the elements that was mentioned at the March 19 meeting was to look at evaluating percentage wise what would be the required elements of an RFP. Mr. Orchard indicated that ten percent would be towards the equal opportunity, which is how they looked at their SMUD RFP. Ten percent was toward companies' attributes and services; thirty percent was team approach; thirty percent was methodology and twenty percent was price and compliance with commercial terms. She suggested that the Commission consider these elements if they chose to move forward.

When this issue was first looked at a couple of months ago, Ms. Young indicated that this Commission would go out for an RFP. Mr. Bell mentioned that it would be

necessary for him to subcontract with others at the time he was applying for the SMUD, and they did not have the resources to complete the assignment on their own. Since the LAFCo had one contract with R. W. Beck that had been amended several times, it was recommended that an RFP be issued if the Commission is interested in moving forward.

The LAFCo budget currently has $185,000 still remaining for this fiscal year. There are some outstanding invoices that would need to be paid. She would suspect that there would be $100,000 that could be carried over and encumbered in the next fiscal year for this endeavor if the Commission chose to move forward. A couple of months ago, a study timeline was considered for this project that it occur over the second half of the next fiscal year into the future fiscal year so that you would have it combined with those two years in order to pay for the entire study. LAFCo could move forward in encumbering those funds and she would need to work with the Controller's and Mayor's Offices to make that happen. In summary, you would have a $100,000 towards your next year's budget and then funds from 2004-2005. If you started this project next year, you could carry it over into 2005-2006 without a gap. Ms. Young asked how the Commission would like her to proceed with the next steps.

Alternate Commissioner Fellman asked where the Commission is with reductions in our next fiscal year budget.

Ms. Young stated that the next fiscal year budget would be $370,000 and if we encumbered $100,000 that would be $470,000. One of the suggestions made was not to meet and not to have the use of the attorneys except when necessary. If in fact we don't have meetings in the next couple of months, and we only meet periodically for studies and hearings that you would like to have happen, then we could save those resources. Staff could work on the RFP, pull together the necessary experts to start drafting and come back to you with something that you could look at later this year in adopting the RFP in the next calendar year.

Alternate Commissioner Fellman asked where the RFP experts would be coming from with respect to the RFP preparation and review.

Ms. Young stated that she would be working with PUC staff and members of the American Public Power Association. There are a number of cities that have staff and experts that the LAFCo could take advantage of. There are a number of experts that have been participated in our public hearings that either might be willing to participate in scoping the RFP, sitting as an expert, or providing you with names and resources. She would work with legal counsel and if the Commission saw fit, a Subcommittee.

Alternate Commissioner Fellman asked if this would be something we would not have to pay for or would there be a budget allocation for.

Ms. Young stated that she suspects that it would not have to be paid for and that the LAFCo did the same thing with the Energy Services Study. We were able to get experts to scope it out. We worked with our then legal counsel, Donald Maynor. Ms. Young recommended eliciting support from Mr. Maynor either to participate or to recommend experts on the subject.

Alternate Commissioner Fellman stated she would share her professional expertise.

Chairperson Commissioner Gonzalez stated that he does not think the LAFCo should proceed with the idea that this endeavor is something that has to wait until next year. LAFCo should continue to have meetings if there are reasons to have meetings. Informational hearings may allow us not to expend attorney dollars. The costs savings are not enough to shut down and wait for more money to come in. We could move forward and contract with someone who would understand that there may be payment over time or work out some arrangement taking into account monies coming in a later fiscal year. Anyone that has worked with a governmental agency would understand that.

Commissioner Ammiano agreed. It is never a good idea to interrupt momentum. We do have a transition with the General Manager of the PUC, and it is in our best interests to discuss the attitude towards public power with the new head of the SFPUC, Susan Leal. He recommended hearing from Ms. Leal and not only Mr. Smeloff who reports to Ms. Leal. In addition, there had been a discussion around LAFCo's relationship with the Clerk of the Board's Office in the Tuesday budget submittal and asked Ms. Young if she has heard anything surrounding the discussion of removing LAFCo from underneath the Clerk of the Board.

Ms. Young stated that the Clerk of the Board's budget has been reviewed by the Budget Committee as of October of last year. The Board's committee reviewed the Clerk of the Board's budget, and approval from the Board's Budget committee was received in February. That was at the same time that this LAFCo approved its budget with respect to LAFCo continuing its work. Whether it resides in the Clerk of the Board's organization is one that she thinks is a policy decision and one that this Commission and the Board of Supervisors need to make. She stated that she did not ask for LAFCo to be under the Clerk of the Board's organization. It was the direction of the then President of the Board, Supervisor Ammiano that she take on this responsibility. She has no ties if this organization was to move and it would operate wherever you put it, recognizing that the Commission has the ability to oversee it as a state agency. The City has no authority once you approve the budget unless you choose to make some other decision. That is strictly between you as LAFCo members and you as Board of Supervisors. At any time, the Commission can make the decision to shift, close, or continue with LAFCo's activities.

Chairperson Commissioner Gonzalez asked for Ms. Young's recommendations in terms of finalizing an RFP.

Ms. Young stated that it would take a couple of months to pull together experts to create an RFP that could be brought back to you in draft form. It would take time to get lists from you on experts that you may know that might be of value to this process as well as soliciting others that she knows such as contacts from the APPA. That process can be started and a draft could be brought back to the Commission by August.

Alternate Commissioner Fellman stated that we probably have the opposite case where we are concerned that we might be spending money too fast given that we won't see a work plan until August. We may be in a situation where we don't spend the money until the end of the year. She suggested putting on the agenda for consideration an item encumbering the funds from this fiscal year's budget.

Ms. Young stated that as the Executive Officer she has the authority to work with the Chair on budgetary issues.

Alternate Commissioner Fellman stated that the LAFCo then definitely set aside those fiscal year funds in order to start this process.

Public Comment

Mr. Howard Ash stated that if we continue down the path of electric system valuation, he would like us to avoid a significant mistake that was made under the last contract with R. W. Beck and the Electric Financial Pre-Feasibility Study. Under that contract, we got the report with lots of words, but the critical piece of the analysis was the financial model that purported to quantify the benefits. Unfortunately, the only part of this financial model we got was a printout of the numbers in the Appendix. R. W. Beck retained possession and ownership of the model, the Excel spreadsheet with all the formulas and assumptions. Somehow in the process of contracting in that study, we did not get ownership of the model even though we paid for the labor that created it. Without the model, the consultants' work cannot be checked or alternative valuation scenarios cannot be run using different assumptions or any new information that may come to us could not be incorporated. If we want to do anything more with that model and that study, we have to go back to the consultants presumably at an additional cost. Moreover, the calculations remain a black box for those of us who really want to understand them.

Learning from our mistakes in any future contracts such as for the valuation study we are discussing today, we should explicitly require that any work product of any kind specifically include electronic spreadsheets or any other quantitative models with all the formulas intact be property of the LAFCo and the City and County. In the presentation materials, there was an economic and financial analysis. He would hope that this would pertain to that. In summary, if we pay for the work, we are entitled to all the fruits of the work. Having the actual spreadsheets would allow us to further refine the work of the contractor and effectively leverage our investment. If the contractor is unwilling to abide by this, let's find another contractor.

Chairperson Commissioner Gonzalez asked Ms. Young to take Mr. Ash's comments into account and knows what Mr. Ash is referring to. That has been an ongoing struggle with many of the contracts that the City enters into. He shares Mr. Ash's opinion on this. We have seen it even with contracts with the Assessor's Office and some of the intellectual property that gets generated as a result of our contracting someone to do certain work for us, and yet there is always a question who retains the ownership. With R. W. Beck, if we wanted them to test those numbers with different assumptions, they would do that. We have built a good relationship with them and they have been willing and made many overtures to try to work with us on costs and other matters.

4. Future Agenda Items.

   Alternate Commissioner Fellman asked if the Commission is going to ask Ms. Young to develop the RFP and the panel of experts.

   Chairperson Commissioner Gonzalez stated that was correct.

   Alternate Commissioner Fellman asked if the Commission wanted to have a Subcommittee.

   Chairperson Commissioner Gonzalez stated that the Subcommittee should be formed.

   Alternate Commissioner Fellman stated that she would be happy to volunteer her professional expertise to support Ms. Young's efforts.

   Chairperson Commissioner Gonzalez stated that he had folks in his office recently that were working on tidal energy, the Director of the Dept. of Environment, Peter O'Donnell, Ed Smeloff and others. It looks like there is some progress on this project that there is going to be demonstration project in place by October. His thought was to invite the people that were in his office to display a more public forum on what steps are being taken. For Commissioner Ammiano, the community aggregation really ties into tidal because it is such an important component of justifying how the City would move forward in getting into this area. Peter O'Donnel indicated that he met with representatives from PG&E to update them on what the City is doing in this regard.

   No public comment

5. Public Comment on Items not on the Agenda.

   No public comment.

6. Adjournment.

   The meeting of the Local Agency Formation Commission adjourned at 2:46 p.m.

San Francisco
Local Agency
Formation Commission

DOCUMENTS DEPT.

JUL - 2 2004

SAN FRANCISCO
PUBLIC LIBRARY

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

AGENDA

Note: Each item on the Consent or Regular agenda may include explanatory documents, including Executive Officer report and public correspondence. These items will be available for review at City Hall, Room 244, Reception Desk.

Special Meeting
Friday, July 23, 2004, at 2:00 p.m.
City Hall, Legislative Chamber, Room 250

Chair: Commissioner Gonzalez; Vice-Chair: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate Members: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call.

2. Approval of Minutes for the Commission Meeting of May 28, 2004 (Discussion and Action Item).

3. The Department of the Environment, San Francisco's Public Utilities Commission, and partner organizations deliver a progress report on a planned tidal power pilot project scheduled for demonstration in October of this year (Discussion Item).

4. Future Agenda Items.

5. Public Comment on Items not on the Agenda.

6. Adjournment.

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to LAFCo, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of LAFCo members. Any written comments should be sent to: Committee Clerk of LAFCo, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the Committee Clerk by that time may be taken directly to the hearing at the location above.

Cell phones, pagers and similar sound-producing electronic devices: The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

DISABILITY ACCESS

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142. There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

To obtain a disability-related modification or accommodation including auxiliary aids or services to participate in the meeting, please contact Monica Fish, Commission Clerk to SFLAFCo by mail to San Francisco Local Agency Formation Commission, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7702, by fax at (415) 554-7714 or by email at Monica_Fish@sfgov.org at least two business days before the meeting.

Chemical-Based Products: In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Clerk of the Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7724, by fax at (415) 554-5784 or by email at Donna_Hall@sfgov.org.

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.ci.sf.ca.us/bdsupvrs/sunshine.htm.

Lobbyist Registration and Reporting Requirements
Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign and Governmental Conduct Code Section 2.100) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102, telephone (415) 581-2300, fax (415) 581-2317 and web site www.sfgov.org/ethics.

Posted: July 1, 2004

San Francisco
Local Agency
Formation Commission

Government Documents Section
Main Library #41 (2 copies)
ATTN: Michael Sherrod-Flores

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT.

NOV 2 4 2004

SAN FRANCISCO
PUBLIC LIBRARY

MINUTES

Special Meeting
Friday, July 23, 2004, 2:00 p.m.
City Hall, Legislative Chamber, Room 250

Chairperson: Commissioner Gonzalez; Vice Chairperson: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternates: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call

   Chairperson Commissioner Gonzalez called the meeting to order at 2:23 p.m.

   Members Present: Chairperson Commissioner Gonzalez, Commissioner Ammiano, and Commissioner Schmeltzer.

   Members Absent: Vice-Chairperson Commissioner McGoldrick and Commissioner Hall.

   Gloria L. Young, Executive Officer and Nancy Miller, Legal Counsel, present.

2. Approval of Minutes for the Commission Public Hearing of May 28, 2004. (Discussion and Action Item).

   No public comment.

   Commissioner Schmeltzer moved to approve the May 28, 2004 meeting minutes; Commissioner Ammiano seconded. The meeting minutes were unanimously approved with no objection.

3. The Department of the Environment, San Francisco's Public Utilities Commission, and partner organizations deliver a progress report on a planned tidal power pilot project scheduled for demonstration in October of this year (Discussion Item).

Jared Blumenfeld, Director of the Department of the Environment discussed the topics for the meeting's agenda that would include a discussion on the status of tidal power in San Francisco and exploring the potential of off-shore wave generation. Speakers were introduced.

Commissioner Ammiano stated that he had read a newspaper article that indicated state funding for tidal power projects may be endangered.

Speakers

Dave Olsen, Project Manager for HydroVenturi presented an overview of a tidal-power project discussing funding potential and how HydroVenturi is moving forward on installing a pilot project for San Francisco Bay by early Summer of 2005.

Ed Euber, Director, Golden Gate National Recreational Area (GGNRA) stated that the National Park Service and GGNRA would be helping to investigate tidal power and wind power's environmental aspects. Tidal power seems to have safe renewable energy with little or no environmental degradation. They are looking forward to the pilot project to have three to five years to evaluate its consequences.

Dr. Tony Jones, Ph.D., Executive Director of Ocean Consulting, presented a review of tidal technologies that exist today, their future, and approaches. A report was given from the Renewable Ocean Energy Conference in Florida where a presentation was made on San Francisco tidal power projects. An editorial written by Dr. Jones on "Offshore Renewable Energy Development" is available at the Clerk of the Board's Office, Room 244, City Hall.

Roger Bedard, Project Manager, Energy Policy and Research Institute (EPRI) gave a presentation on an off-shore wave research power generation project that is being done in combination with Maine, Washington, Oregon, and Hawaii Coastal Counties. A discussion was held on the potential of wave energy for California and San Francisco and a proposal for Bay Area wave and tidal energy project definition studies. The EPRI is the research and development arm of the domestic electric utility industry since 1973. A new subsidiary was formed called the Electricity Innovation Institute that is trying to take advantage of the new business model of the private public partnership type work to develop these new emerging technologies.

Peter O'Donnell, Renewables Group, Department of the Environment and Mr. Bedard reviewed site suitability criteria for Ocean Beach in San Francisco. Mr. Bedard extended an invitation to the Bay Area Cities to join a wave and tidal consortium on a project cost-share basis.

A copy of Mr. Bedard's presentation is available at the Clerk of the Board's Office in Room 244, City Hall.

Bill Peden, Director of Resource Planning for the San Francisco Public Utilities Commission (SFPUC) discussed how tidal and wave power can fit in San Francisco's renewable energy mix. Topics included the hindrance of state and federal funding and that most tidal and wave companies are offshore technologies.

Questions and Answers LAFCo Commissioners
(Session Transcript)

Commissioner Schmeltzer asked if there were existing tidal wind mill projects.

Dr. Jones stated that there are current projects, mostly at a prototype level. The existing tidal power projects are the barrage systems that block estuaries. The underwater windmills have been installed in Norway, the United Kingdom and Portugal. Most of those have been more of a prototype. Several are hoping to expand. The Norwegian group put in one and they are hoping to expend about twenty underwater turbines.

Commissioner Schmeltzer asked if there was any data from the existing projects on what the effect on marine mammals and other fish having the moving turbines in the tidal stream would be.

Mr. Euber stated that he does not know of any data.

Dr. Jones stated that the situation with the Italian operation off of the Sicilian coast is that the blades have a high gear ratio so they rotate very slowly, about five rotations per minute. So there is really no issue with impacting the fish. Most fish will avoid that. They have a pitched blade that moves around as it interacts with the water. There are some other systems that are proposed off of Boston University that have a higher rotation. They assured them that the fish would avoid it. They have seen a video of them installing it in Korea and the revolutions were quite fast. It is an easy thing to test, but he does not think that anyone has looked at that issue.

Chairperson Commissioner Gonzalez asked what the cost benefits are as it relates to a larger system versus a smaller one. It seems one of the advantages of going in this direction is that you could build out of a small system and there are not many duplicative costs of adding on to a system and expanding it.

Dr. Jones stated that was correct. For most of the off-shore wave and off-shore tidal systems, once the first one is installed, any incremental installation basically already adds on to the cost. You do not need to rerun cables or extra moorings. There are cost benefits for that. That's why most of the proposals have been to have basically farms or multiple units similar to wind farms in California. You don't just see one windmill; you see a farm of them. It would be the same approach for not only the offshore wave, but also for a lot of the tidal regime. The HydroVenturi system is set

up as a module so that you can keep adding modules. Some of the other systems that are available that the EPRI speakers will be talking about including these oscillating water columns that have about three years of operating experience can be modular, and they are actually going into mass manufacturing of their turbines to drop the cost.

Chairperson Commissioner Gonzalez asked what challenges are associated with building out a system or testing a system offshore versus building one at a closer location or under the Golden Gate Bridge. Is there any sense among the experts in the field that testing something offshore is going to give you reliable data on what a unit like this would operate like closer or in a different location?

Dr. Jones stated that there is a test center being set up in the United Kingdom for the European Union. They are going to have several different platforms offshore in the water that are connected with cables to specifically test and certify not only wave but tidal systems. It is in a fairly rugged environment. If it can pass the test there, then it should be certified and be able to be available anywhere in the world. The basic physics of most of the systems as long as there is an incoming wave or tidal regime, then it shouldn't matter if it is near shore or offshore. It ends up that as you go offshore there is greater resource generally for waves so you will more than likely advance from the near shore to the offshore because as the near shore systems are commercial today, they will continue to be available. We will continue to progress offshore same as we have done with the offshore wind as we've gone from the onshore to shallow water, and now we are going onto quite deeper water on the projects on the East Coast of the United States.

Chairperson Commissioner Gonzalez stated that Mr. Olsen mentioned that venture capitalists are getting interested in renewable energy as an area of investment. He asked if there are certain technologies or certain renewable energy sources that are fairing better than others.

Mr. Olsen stated yes, that primarily what they have seen today is in the areas of fuel cells and to a lesser degree some of the bio-gas technologies. The venture capitalist firms and large angel investors who are investing in technology companies in the alternative energy space right now tend to be kind of niche players, closed end funds. Some of them are very utility centric so they make investments in technologies that the utilities seem very interested in. The same kind of thing for the fuel cells. A lot of the money is coming from automotive industries and other sorts of institutional investors who want to invest in those sort of sectors. We're really not seeing a lot of investments yet. Photo-voltaic is kind of there and clean tech which is kind of an NGO sort of industry consortium who tracks these sort of things does have some studies or reports that breaks down who is doing deals and who is making investments in what areas and when. Solar has been hot and cold but really most recently it has been fuel cells and bio-gas technologies. Very little has been in the way of wind technology and tidal. Again it is because there is not a lot of mainstream venture capital funds that really understand the energy technology business. They are so centric on biotech or telecom and they still want to stay in

those markets. They are just starting to see that there may be some potential in the energy sectors.

Chairperson Commissioner Gonzalez asked if there is a standard of return on investment-certain number of years cycle that is standard in the industry.

Mr. Olsen stated that he thinks there is. A traditional venture capitalist likes to see an exit of their investment in somewhere from three to five years. They like to see a three to five times return on their investment, either in the form of an initial public offering or an acquisition by a larger company. The problem is with these sort of technologies and these sort of projects that go with the technologies, they tend to be two to three year type of developmental efforts before there is any sort of revenue coming in the door, let alone to have a commercialized product. How do you do an IPO if the product is still a year or two years away from market? That is one of the big issues the VC's have. They tend to not look at things with a five to ten year exit strategy and maybe a lower return than an energy project or an energy technology company may afford.

Mr. Blumenfeld stated that a lot of what Mr. Olsen is talking about is about innovative programs coming from Europe. California is the fifth largest economy in the world. We have the California Energy Community, the California Public Utilities Commission. Why aren't these kinds of projects moving faster in California, specifically in San Francisco than in Europe? What can be done to change the atmosphere so these kinds of testing phases can be sponsored by the government?

Mr. Olsen stated that there are two pieces to that. The first piece is going back to the capital markets. You're seeing projects and technologies funded in the form of grants and public money much easier and much quicker as well as the commercial sector. European investors are investing in alternative energy technologies with those sort of risk profiles much more readily than United States based investors. A lot of the investments that we are seeing coming over to the California market is European. It's French money, it's German money, and it's Dutch money. But then they come to California, and they are not comfortable with California or U. S. government regulations on putting these projects on the water. One of them said with a straight face that they are afraid to come to the United States because somebody might sue us. But also, some of the genesis of the programs in Europe has been that there is a Dutch-government sponsored program with respect to carbon credits. There is a carbon trust out of the United Kingdom and those have a strong capitalization. Now when you shift over to the regulatory side in California, getting back to the public funding sector, whether it is the state through the California Energy Commission and the peer program, their budgets have been slashed veraciously with California's budget problem. But also, the federal government programs through the National Renewable Energy Lab, Pacific Northwest Labs were running programs for the Office of Energy Efficiency and Renewable Technology.

Their budgets have been slashed almost to the point where their offices are shut down. So there is no public money, seed money and as a result, the capital markets

are saying there is a longer risk profile. That's the government side. Also from a regulatory standpoint, there has not been an active wave and tidal power trade association that has an effective lobbying effort for either regulatory policy or funding programs. There is a large wind energy association. There are some other renewable associations that are lobbying on behalf of wave and tidal energy projects companies. But it is not a real strong lobby so it is not a real strong voice let alone a receptive ear. There is some public policy issues that have been a constraint. If we can break down those barriers, and even if we could self-fund these projects, we could do tidal projects.

Commissioner Ammiano asked about San Francisco's proneness to earthquakes.

Mr. Bedard stated that an earthquake would cause a tsunami wave. The key thing about devices that are being developed today—the first generation being the 1970's and early 1980's. They did have lots of failures. The devices that we are seeing today are developed principally with a key design goal of being survivable. This Polaris device has a very small profile that looks into the wave. The energy is hidden. The frontal energy, the force. It is a pencil that is oriented in the same direction as the wave. Its basic inherent nature is highly survivable. A picture was shown of the over-topping device, the wave dragon device. The picture was what the company uses to show that their device is inherently survivable because large waves go over the basin. These designs are designed to be (1) survivable (2) other factors. That has to be the key criteria in any system that is put out there. Another idea that he had made a year ago that nobody has picked up on yet is since these devices have slackly moored, why don't you have a winch at the bottom of the ocean and winch them down? Because you have a lot of notice that a tsunami wave is coming so you could winch them down.

Mr. Euber stated there is one known environmental concern. When you put cables in the water or anchors, you do have migrations of gray whales close to the coast so that would be a concern. We also know that humpbacks come in within two nautical miles of shore in that area so that would also be a concern.

Commissioner Schmeltzer asked how environmental and social issues are being defined.

Mr. Bedard stated that at this point at its very largest context. A social issue for example is the fishing issue. Another social issue is the aesthetics of a device. Lots of people do not want to have wind turbines on their hills or even off the shore of their coast because of the aesthetics of it. Being a mechanical engineer, he stated that he is not an environmental expert and thanked Mr. Euber for his comments. He thinks that the panel would agree that wave, tidal flow or ocean current energy would be amongst the most environmentally benign of any of the electricity technologies that we know of today.

Mr. Euber stated it depends on where they are put and what they do. The fishing industries' use of that area is predominantly outside of three nautical miles and the

out-fall actually goes out three nautical miles so the fisheries conflict for commercial and recreational fishing would generally not be where the proposed project is.

Questions and Answers from Consortium Partners
(Session Transcript)

Cassin Trenor, Graduate Student, resident of Monterey County stated that Monterey County is similar to the Bay Area in that there is a great amount of tidal and wave energy potential. Four months ago he and his colleagues were delving into whether or not tidal energy was a good idea and could solve the power problems in Monterey and globally. Research was done from the ground up. Interviews were held in Monterey and San Francisco with those that they identified as knowledgeable and interested stakeholders. They took a camera everywhere they went and came up with a 25-minute documentary entitled "The Next Wave Tidal Energy in San Francisco." It is focused primarily on the HydroVenturi project and technology. Before the project was started, they were skeptical because they did not know a lot and heard that tidal power and energy would damage the environment. While earlier they were skeptical and shaky, they are now persuaded and convinced. Their research has led them to believe that not only is tidal power a good investment from an environmental aspect; it's also a very wise investment financially. They would like to make this documentary available to anyone who would like to see it. If anyone is interested in seeing the documentary to let them know.

Ron Ford, Administrative Aide to Supervisor Susan Adams, County of Marin stated that they represent San Rafael north up to the Novato border including the coastal region along San Pablo Bay to the San Rafael estuary. They have been looking into and investigated numerous power sources over the past few years, including wind turbines, photo-voltaic, methane, tidal and wave. Some scenarios would seem environmentally unfriendly. They've seen a demonstration on a floating platform which tipped over when the demonstration came so they weren't too impressed with that. They did get Dr. Hassard from HydroVenturi to speak to them and they were impressed with this project. They come here today to ask that the people of the City of San Francisco support the HydroVenturi project.

Andrew Thompson, former Mayor and Council-member of Tiburon and currently a candidate for the Board of Supervisors in Marin County. He is glad to see that Marin County is represented here officially and congratulates everyone on their work. When he talks about this he often gets snickers because they are looking so far ahead and it's not something immediately applicable tomorrow, but that's what we have to do because we can't be dependent on these unrenewables forever and their destructive environmental effects. Whatever we are looking at is going to have some environmental impacts. Some that is not going to be pleasant. But, we have to look at that it's a matter of tradeoffs. What we might be facing might not be perfect, but it is much less of an impact than what we are dealing with with fossil fuels, etc. That is what far too often the public is not paying attention to. Good job.

Public Comment

George Keborian, President of San Francisco Tesla Society stated that almost a year and a half ago a hearing was held on this topic on tidal energy. The City has graciously allowed them the video of that hearing on their web-site so that anybody that wants additional information on the details on the tidal project can go to www.sftesla.org and watch the video. He would like to put what they are doing here in a bit of context. This project is incredibly important amongst the many things that San Francisco has done. We have an incredibly diverse population that works together and has for many years.

In the time of World War I, the Pan American Pacific exposition showed the value of peace. In the 1920's television was invented here by Philo Taylor Farnsworth on Green Street in his lab and was privately funded. In the 1930's and in the midst of the Great Depression, we built the spectacular Golden Gate Bridge. In the 1940's and in the time of war we again showed the way to peace with the creation of the United Nations here at the Civic Auditorium. In the 70's we were part of the BART project, the world's first computer-controlled subway. In the 80's the West Coast computer fair was a PC mecca for Bill Gates and Steve Jobs. In the 90's we showed how to make the Internet practical. In this decade, it is obvious in the world if you look at what is going on in Iraq, if you look at what is going on with global warming, the issue of making and leading the way and showing how to make renewable and sustainable energy practical, here we are again leading the way. What is the viability of helping to fund the tidal and wave project through a bond measure?

Chairperson Commissioner Gonzalez stated that the voters did approve a measure. Commissioner Ammiano was the chief sponsor of Proposition H which gave to the Board of Supervisors the power to issue revenue bonds in the area of renewable energy by vote of the Board and not require a ballot measure before the voters. We are interested in pursuing that and something that would be worked on.

Linda Arakalian, organizer with a clean energy campaign at Green Peace. She was interested if anybody knew of other environmental organizations that are involved in promoting or advocating for tidal and wave energy. As an organizer, how can we start advocating for tidal power and how can we build more coalitions with solar and wind associations? They are working more together now. It is the tidal and wave there is not an association—if they have possibly started working with those other associations?

Mr. Blumenfeld stated that what Greenpeace could do is to build on the work that they are doing with campuses--to work with U. C. Berkeley and the other universities to provide research. Not only do they have students, they have great minds in those students that can think about how to implement those programs. Secondly, how to work with the administrations that Greenpeace is already doing to make sure that the campuses buy renewable power.

Commissioner Schmeltzer stated that the University did just adopt a clean energy policy and is looking into mirroring the renewable portfolio requirement that the State has and that is part of the policy.

Mr. Olsen stated that the other organizations to respond are entities like the NRDC that is a strong supporter of these sort of activities. Also, there are a number of foundations like the Ford and Hewlett Foundations that are strong supporters of these activities either in a direct funding or public support basis.

Kristen Stuch, H2 Onsite, a company that is trying to commercialize a technology to generate hydrogen. They are running across a lot of the problems mentioned in the presentation about raising venture capital money and falling in the void. She is just moving back from Europe. Her impression is that the reason why the Europeans seem to be moving forward and being innovative in these areas is because they have the right legislative structure in place, which we don't seem to have in the United States. There is some discussion about renewable portfolio standards in California and doesn't know what sort of economic incentives might provide the right framework to create innovation and funding. If anyone had comments on the CalSters and CalPers funding stream? If they knew where some of that investment money is going to go and whether that might be a source for this project in particular?

Mr. Olsen stated, addressing the European market—absolutely there has been a number of United States based energy technology companies that have not been able to raise capital here in the United States and they have gone to places like a London aim market as opposed to NASDAQ. Again, the Europeans are much more receptive to the risk profiles. Also, the European governments have a variety of mechanisms in place to foster that sort of investment activity. In terms of U.S. projects and entities, it does boil back to the rating and those sort of agencies in the sense that if I am doing a renewable energy project and I am selling all of my off-take to the City and County of San Francisco on a long-term contract, who is the best credit rated entity in the world. The rating agencies still go back to macro environment type of things and say we'll only give you 40 or 50 percent project debt and still allow you to have a rated finance structure. There is some broad macro impacts on a local project in terms of capital markets. Responding to CalPers and CalSters, Phil Angelides is really driving CalPers in particular. I think CalSters is coming along as well because of that pressure. He has really gotten some people involved at CalPers to start making investments in alternative energy technology companies. There are about three people at CalPers who are working on this sort of thing. They have not made any direct investments yet, but they are out there kicking the tires.

Bill Holmes stated that he is very much enjoying this meeting and seeing this much interest in this field. He is a registered engineer and has developed has a U. S. patent on one device that generates electricity from ocean waves. He is rather sold on the idea. Some of these points that are being made and the feedback are absolute music. He is hoping that this type of meeting will occur again in the near

future. He understands there is a meeting on September 15 or 17. Nobody is talking as much about wave devices. He did a search down at Sunnyvale prior to patenting his device and the devices that he saw that were capturing wave energy versus tidal energy looked rather like toys. He was impressed that he did not see anything that would extract energy from the waves on a very effective basis in terms of wave energy. His feeling is that there is a great deal more wave energy. Tidal, wind, and solar are great things, but they are much more intermittent than wave power. There is a great more energy to be taken from the surface of the water and it should deserve more attention that it is getting.

Mr. Peden stated that may be true but the one thing they like about tidal power is you can count on it. You know exactly where it is and for a utility that needs to get it on a grid and be able to work it within its other resources, it is there twice a day every day.

Mr. Holmes stated that was an excellent point that it is dependable; however, its magnitude is quite a bit less than surface wave-power.

Don Roberts, Chair of the Sierra Club Local Energy Committee. He attended a meeting 18 months ago when Dr. Jones, HydroVenturi and the Department of the Environment first told us about this exciting resource, which was flowing under the Golden Gate Bridge, which we didn't know too much about. It was so exciting that when we first wrote something about this technology in our local newsletter, an editor had to tell me to use the word "exciting" too many times, and they had to edit it. Regardless, there's a question of what the potential is and how it is realized. As we got into this, we did find that there were some questions about HydroVenturi, their technologies proprietary and questions we would still like answers to before this gets too far the path.

The issue is best brought out by paralleling what is happening in the Altamont Pass with wind turbines. The turbines kill .2 birds per year per turbine, which is not such a big deal if there's one turbine, but there are 5,000 turbines there and they are killing 1,000 birds a year. So, as they are looking at the environmental impact of this technology, we have to keep in mind the scaling issue that we might be starting with a small couple of kilowatt modules sitting off of an oil rig in Hercules. But when we start putting tens or hundreds of megawatts under the Golden Gate Bridge, we really have to look at what's in the water there because the issue with the Altamont is the fact that it is a high concentration of in particular raptors and golden gate eagles. We are excited about the potential and look forward to it being cited properly and all of the details followed up before something goes into the water. Most importantly, the Altamont has become a black eye for the wind turbine industry, and we don't want to see the same thing happen with this brand new technology in San Francisco.

Mr. O'Donnell stated that in summary to keep in mind that tidal and off-shore wave are the kinds of things that seeing is believing and hope to have a demonstration in conjunction with U. N. Environment Day June 1 – 5 of 2005. The test and barge should be in place. The demonstration should be done and we should be able to go

out and visit this to see what the water does and how it makes power. Then we think that would trigger the kind of permitting and environmental reports. It is more prudent for HydroVenturi to do this with the Department of Environment starting March/April of 2005 for the U. N. World Environment showcase.

Chairperson Commission Gonzalez and Commissioner Ammiano thanked the speakers and the Department of Environment.

4. Future Agenda Items.

   Future agenda items were not discussed due to a lack of quorum.

5. Public Comment on Items not on the Agenda.

   No public comment on items not on the agenda.

6. Adjournment.

   The meeting of the Local Agency Formation Commission adjourned at 4:16 p.m.

San Francisco
Local Agency
Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

AGENDA

Note: Each item on the Consent or Regular agenda may include explanatory documents, including Executive Officer report and public correspondence. These items will be available for review at City Hall, Room 244, Reception Desk.

Special Meeting
Friday, November 5, 2004, at 2:00 p.m.
City Hall, Committee Room 263

Chair: Commissioner Gonzalez; Vice-Chair: Commissioner McGoldrick
Members: Commissioners Ammiano and Schmeltzer
Alternate Member: Commissioner Fellman

Clerk: Monica Fish

DOCUMENTS DEPT.

OCT - 5 2004

SAN FRANCISCO
PUBLIC LIBRARY

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call.

2. Approval of Minutes for the Commission Public Hearing of July 23, 2004 (Discussion and Action Item).

3. Discussion on a Draft Request for Proposal (RFP) for an Electric Valuation Study (Discussion and Action Item)

4. Future Agenda Items.

5. Public Comment on Items not on the Agenda.

6. Adjournment.

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to LAFCo, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of LAFCo members. Any written comments should be sent to: Committee Clerk of LAFCo, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the Committee Clerk by that time may be taken directly to the hearing at the location above.

Cell phones, pagers and similar sound-producing electronic devices: The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

DISABILITY ACCESS

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142. There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

To obtain a disability-related modification or accommodation including auxiliary aids or services to participate in the meeting, please contact Monica Fish, Commission Clerk to SFLAFCo by mail to San Francisco Local Agency Formation Commission, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7702, by fax at (415) 554-7714 or by email at Monica_Fish@sfgov.org at least two business days before the meeting.

Chemical-Based Products: In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Clerk of the Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7724, by fax at (415) 554-5784 or by email at Donna_Hall@sfgov.org.

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.ci.sf.ca.us/bdsupvrs/sunshine.htm.

Lobbyist Registration and Reporting Requirements
Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign and Governmental Conduct Code Section 2.100) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102, telephone (415) 581-2300, fax (415) 581-2317 and web site www.sfgov.org/ethics.

Posted: October 5, 2004

San Francisco
Local Agency
Formation Commission

Government Documents Section
Main Library, #41

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

NOTICE OF CANCELLED MEETING

SAN FRANCISCO LOCAL AGENCY FORMATION COMMISSION (SFLAFCo)

NOTICE IS HEREBY GIVEN that the special meeting of the SFLAFCo scheduled for Friday, November 5, 2004 at 2:00 p.m. at 1 Dr. Carlton B. Goodlett Place, Room 263, City Hall, San Francisco, California, has been **cancelled.**

DOCUMENTS DEPT.

OCT 26 2004

SAN FRANCISCO
PUBLIC LIBRARY

Gloria L. Young
Executive Officer, LAFCO
City and County of San Francisco

City and County of San Francisco
Local Agency Formation Commission

November 19, 2004

Click on the file numbers below to obtain background materials. These files are provided in PDF format, and you must have the Adobe Acrobat Reader to access them. Click here for info about obtaining Acrobat (it's free).

AGENDA

DOCUMENTS DEPT.
MAR 15 2005
SAN FRANCISCO
PUBLIC LIBRARY

Note: Each item on the Consent or Regular agenda may include explanatory documents, including Executive Officer report and public correspondence.

These items will be available for review at City Hall, Room 244, Reception Desk.

Special Meeting

Friday, November 19, 2004, at 2:00 p.m.

City Hall, Committee Room 263

Chair: Commissioner Gonzalez; Vice-Chair: Commissioner McGoldrick

Members: Commissioners Ammiano and Schmeltzer

Alternate Member: Commissioner Fellman

Clerk: Monica Fish

SPECIAL AGENDA

(There will be public comment on each item)

1. Call to Order and Roll Call.
2. Approval of Minutes for the Commission Public Hearing of July 23, 2004 (Discussion and Action Item).
3. Discussion on a Draft Request for Proposal (RFP) for an Electric Valuation Study (Discussion and Action Item).
4. Future Agenda Items.
5. Public Comment on Items not on the Agenda.
6. Adjournment.

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to LAFCo, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of LAFCo members. Any written comments should be sent to: Committee Clerk of LAFCo, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the Committee Clerk by that time may be taken directly to the hearing at the location above.

Cell phones, pagers and similar sound-producing electronic devices: The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

DISABILITY ACCESS

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142. There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

To obtain a disability-related modification or accommodation including auxiliary aids or services to participate in the meeting, please contact Monica Fish, Commission Clerk to SFLAFCo by mail to San Francisco Local Agency Formation Commission, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7702, by fax at (415) 554-7714 or by email at Monica_Fish@sfgov.org at least two business days before the meeting.

Chemical-Based Products: In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Clerk of the Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, by phone at (415) 554-7724, by fax at (415) 554-5784 or by email at Donna_Hall@sfgov.org.

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.ci.sf.ca.us/bdsupvrs/sunshine.htm.

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign and Governmental Conduct Code Section 2.100) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102, telephone (415) 581-2300, fax (415) 581-2317 and web site www.sfgov.org/ethics.

Posted: 10/29/04

San Francisco Local Agency Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

DOCUMENTS DEPT.

JAN 25 2005

SAN FRANCISCO
PUBLIC LIBRARY

MINUTES

Special Meeting
Friday, November 19, 2004, 2:00 p.m.
City Hall, Room 263

Chairperson: Commissioner Gonzalez; Vice Chairperson: Commissioner McGoldrick
Members: Commissioners Ammiano and Schmeltzer
Alternate: Commissioner Fellman

Clerk: Monica Fish

SPECIAL AGENDA
(There will be public comment on each item)

1. Call to Order and Roll Call

   The meeting convened at 2:15 p.m.

   Members Present: Chairperson Commissioner Gonzalez, Commissioners Ammiano and Schmeltzer.

   Member Absent: Vice-Chairperson Commissioner McGoldrick

2. Approval of Minutes for the meeting dated July 23, 2004.

   Public Comment: None

   Action: Approved

   Vote: Ayes: Chairperson Commissioner Gonzalez, Commissioners Ammiano and Schmeltzer.

   Noes: None

   Absent: Vice-Chairperson Commissioner McGoldrick

   Amendments: None

3. Discussion on a Draft Request for Proposal (RFP) for an Electric Valuation Study (Discussion and Action Item).

   Heard in Committee. Speakers: Gloria L. Young, Executive Officer; Nancy Miller, Legal Counsel; Francisco Da Costa requesting panel discussion with representatives from the southeast sector and experts on the Draft RFP.

   Action: Approved with Amendments.

   Vote: Ayes: Chairperson Commissioner Gonzalez, Commissioners Ammiano and Schmeltzer

   Noes: None

   Absent: Vice-Chairperson Commissioner McGoldrick

   Amendments: Add sections to the Draft RFP asking for (1) an estimate of how much different segments of the RFP may cost and (2) where the funding would come from.

4. Future Agenda Items.

   Heard in Committee. Speaker: Barbara Hale, Director of Power Policy at SFPUC

   - Motion commending Ed Smeloff for his participation at LAFCo meetings
   - Proclamation commending the LAFCo Assistant Clerk

5. Public Comment on Items not on the Agenda.

6. Adjournment.

   The meeting adjourned at 2:37 p.m.

23462

HOUCHEN
BINDERY LTD
UTICA/OMAHA NE.
2004